

## 2015 EBA: Individual Country Estimates

### Introduction

The tables in this package contain the estimates from the EBA analysis of current accounts and real exchange rates implemented in Spring 2015. These estimates were used as an input, together with other information and country desk judgment, to the 2015 External Sector Report (see Annex I of the 2015 External Sector Report for the role of EBA estimates in external sector assessments).

This EBA analysis is of 2014 outcomes for current accounts and 2014 year average real effective exchange rates (REERs). The external sustainability (ES) analysis refers to projections of 2020 current accounts. All analyses draw on data available to IMF staff as of Spring 2015. The data drawn from the World Economic Outlook (WEO) database are as of June 2, 2015.

Country coverage. The tables refer to the 25 countries that are part of both the External Sector Report and the EBA analysis. For the summary results, estimates are also shown for a Euro area aggregate, which is constructed as the GDP-weighted average of the estimates for the 11 largest Euro area economies.

### Organization

The information here is organized in four sections, corresponding to distinct methodologies, with brief explanatory remarks in each. New to this year's EBA toolkit is the "Level" REER analysis (see Annex I of the 2015 External Sector Report). The key difference between the "Level" and "Index" REER models is the dependent variable, which is measured using the level of prices in the "Level" model, but an index (set to the same value for all countries in an arbitrary year) in the "Index" model. With the introduction of the Level REER, the former EBA REER analysis is now referred to as the "Index REER".

Section I: Regression-based analysis of 2014 current accounts

Section II: Regression-based analysis of the 2014 Index REER

Section III: Regression-based analysis of the 2014 Level REER

Section IV: External sustainability analysis

### Sources of additional information on EBA

The estimates are derived using a slight modification of the "2.0" of the EBA methodology, which was first used in the 2013 Pilot External Sector Report.<sup>1</sup> This modification includes extending the sample used in estimation through 2013 (previously through 2010), as well as allowing for some nonlinearities in the impact of demographics on current accounts.

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<sup>1</sup> The methodology is comprehensively described in the paper "*The External Balance Assessment (EBA) Methodology*", which provides general guidance on the interpretation of results as well. See IMF Working Paper WP/13/272 (<http://www.imf.org/external/pubs/ft/wp/2013/wp13272.pdf>)

## Section I—Current Account Regression-based Analysis

The tables on the following pages contain results from the 2015 EBA’s analysis of 2014 current account balances (CA, as percent of GDP), using information available as of Spring 2015.

The first table decomposes observed 2014 CAs into a cyclical component (related to both the business cycle and commodity price cycle) and a cyclically-adjusted component. In turn the latter is decomposed into 3 parts: a cyclically-adjusted “norm” level for the current account (calculated using desirable  $P^*$  policy settings, see below), a gap that arises from the estimated contributions of five types of policy gaps, and a gap that is the regression residual. Finally, the last column is the Total CA Gap, the sum of the previous two gaps. Note that the regression residual, and its contribution to the Total Gap, requires additional interpretation, outside of the EBA methodology, as to whether the regression residual primarily reflects distortions not captured by the EBA regression (or instead reflects uncaptured fundamentals or other sources of error).

The CA numbers in the first table include small adjustments that have been applied uniformly across countries (in terms of a country’s own GDP), as necessary, to ensure multilateral consistency. Thus the cross-country sum of the CA norm levels, when measured in US\$, matches the sum of the actual 2014 CA levels of all 49 EBA countries. As also required for multilateral consistency, the cross-country sums of the gap columns, and of the cyclical contributions, are zero.

The second table breaks down the policy gap contributions into the five types of policies covered by EBA’s CA regression-based analysis (here again, the numbers include small adjustments for multilateral consistency). For each policy gap contribution, one can see not only the total contribution but also the subcomponent that is “domestic” (i.e., arising from a country’s own policies rather than policies elsewhere).

The subsequent tables show further detail on the derivation of the policy gap contributions, which arise from both “domestic” policy gaps and the “world” policy gap. For example, in the table on fiscal policy,  $P$  denotes actual fiscal policy in the country in question,  $P^*$  is the suggested desirable fiscal policy setting, and  $P-P^*$  is the (domestic) fiscal policy gap. The abbreviation “wo” is used to denote the world average counterparts of the same concepts (in all cases, world averages are obtained as GDP-weighted averages of the relevant variables). The net of these domestic and world policy gaps is in turn multiplied by the relevant regression coefficient to obtain the total contribution of policy gaps to each country’s CA. (These tables show the raw calculations, before any small adjustment for multilateral consistency is applied).

The penultimate table of this section shows the derivation of the cyclical component of the CA, in two parts: that due to the difference between the domestic and world business cycle (output gap), and that due to the commodity terms of trade gap (cyclical component).

### EBA Regression-Based Analysis of 2014 Current Accounts

(In percent of GDP, includes Multilateral Consistency adjustments)

	Actual 2014 CA	Cyclical Contributions (incl. ToT) 1/	Cyclically Adjusted 2014 CA	Cyclically Adjusted CA Norm 2/	Contribution of Identified Policy Gaps	Unexplained Residual	Total Gap, including Residual
<b>Australia</b>	-2.8%	0.3%	-3.0%	-1.2%	-0.6%	-1.2%	<b>-1.8%</b>
<b>Belgium</b>	1.4%	-0.1%	1.5%	2.1%	-0.8%	0.1%	<b>-0.6%</b>
<b>Brazil</b>	-4.5%	-0.4%	-4.1%	-3.3%	0.1%	-0.9%	<b>-0.8%</b>
<b>Canada</b>	-2.2%	0.0%	-2.2%	-0.1%	0.5%	-2.6%	<b>-2.1%</b>
<b>China</b>	2.1%	-0.4%	2.5%	0.0%	1.8%	0.7%	<b>2.5%</b>
<b>France</b>	-1.0%	0.5%	-1.5%	0.5%	-0.6%	-1.4%	<b>-2.0%</b>
<b>Germany</b>	7.6%	-0.5%	8.1%	3.9%	1.3%	2.9%	<b>4.2%</b>
<b>India</b>	-1.4%	-0.6%	-0.8%	-4.2%	0.8%	2.5%	<b>3.3%</b>
<b>Indonesia</b>	-3.0%	-0.4%	-2.6%	-0.7%	0.8%	-2.7%	<b>-1.9%</b>
<b>Italy</b>	1.9%	1.1%	0.8%	2.0%	0.4%	-1.6%	<b>-1.2%</b>
<b>Japan</b>	0.5%	-0.1%	0.6%	3.1%	-2.8%	0.3%	<b>-2.5%</b>
<b>Korea</b>	6.3%	-0.8%	7.1%	0.9%	0.9%	5.3%	<b>6.1%</b>
<b>Malaysia</b>	4.6%	-0.7%	5.4%	-0.1%	0.0%	5.5%	<b>5.4%</b>
<b>Mexico</b>	-2.0%	0.0%	-2.0%	-2.8%	0.6%	0.2%	<b>0.9%</b>
<b>Netherlands</b>	10.6%	1.4%	9.2%	5.7%	-0.2%	3.7%	<b>3.6%</b>
<b>Poland</b>	-1.4%	-0.4%	-1.0%	-1.6%	-0.4%	1.0%	<b>0.6%</b>
<b>Russia</b>	3.1%	0.1%	2.9%	5.0%	0.6%	-2.6%	<b>-2.0%</b>
<b>South Africa</b>	-5.4%	-0.1%	-5.4%	-1.9%	0.2%	-3.7%	<b>-3.5%</b>
<b>Spain</b>	0.8%	1.3%	-0.5%	0.0%	-1.7%	1.2%	<b>-0.4%</b>
<b>Sweden</b>	6.3%	0.0%	6.3%	-1.1%	-0.5%	7.9%	<b>7.4%</b>
<b>Switzerland</b>	7.0%	-0.5%	7.5%	6.8%	0.6%	0.0%	<b>0.6%</b>
<b>Thailand</b>	3.2%	0.2%	3.0%	-0.6%	0.9%	2.7%	<b>3.5%</b>
<b>Turkey</b>	-5.7%	-0.7%	-5.0%	-1.2%	0.8%	-4.6%	<b>-3.8%</b>
<b>United Kingdom</b>	-5.5%	0.1%	-5.6%	-1.1%	-1.7%	-2.9%	<b>-4.5%</b>
<b>United States</b>	-2.4%	0.2%	-2.5%	-1.3%	-0.6%	-0.6%	<b>-1.2%</b>
<b>Euro Area 3/</b>	2.3%	0.4%	1.9%	2.1%	0.1%	-0.2%	<b>-0.2%</b>

1/ Sum of estimated contributions of output cycle and commodity terms of trade cycle.

2/ Current account norm determined by regression evaluated at observed fundamentals and desirable policy settings (and zero cyclical contributions).

3/ Euro area norm level and policy gap contributions are calculated as GDP-weighted averages of values for the 11 largest Euro area economies. Actual CA is the "corrected for reporting discrepancies in intra-area transactions" and CA of the entire Euro area is about ½ of GDP less than sum of the individual 11 countries' CA balances (for which no such correction is available).

**EBA-Estimated Policy Gap Contributions to 2014 Current Accounts**

	All (sum)		Fiscal Balance		Health Exp.		Δ Reserves		Credit		K-Controls	
	Total	dom.	Total	dom.	Total	dom.	Total	dom.	Total	dom.	Total	dom.
<b>Australia</b>	-0.6%	-1.3%	-0.7%	-1.7%	0.3%	0.4%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>Belgium</b>	-0.8%	-1.5%	-0.6%	-1.5%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>Brazil</b>	0.1%	-0.6%	-0.3%	-1.2%	-0.1%	0.0%	0.4%	0.4%	0.1%	0.0%	0.0%	0.1%
<b>Canada</b>	0.5%	-0.2%	0.7%	-0.2%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>China</b>	1.8%	1.1%	0.7%	-0.2%	0.8%	0.9%	0.2%	0.3%	-0.4%	-0.5%	0.5%	0.7%
<b>France</b>	-0.6%	-1.3%	-0.4%	-1.3%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>Germany</b>	1.3%	0.6%	1.5%	0.6%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>India</b>	0.8%	0.1%	-0.1%	-1.0%	-0.2%	0.0%	0.3%	0.4%	0.0%	-0.1%	0.7%	0.8%
<b>Indonesia</b>	0.8%	0.1%	0.4%	-0.5%	-0.1%	0.0%	0.1%	0.2%	0.1%	0.0%	0.3%	0.4%
<b>Italy</b>	0.4%	-0.3%	0.6%	-0.3%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>Japan</b>	-2.8%	-3.5%	-2.6%	-3.5%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>Korea</b>	0.9%	0.2%	0.4%	-0.5%	0.4%	0.5%	-0.1%	0.0%	0.3%	0.2%	-0.2%	0.0%
<b>Malaysia</b>	0.0%	-0.7%	0.1%	-0.9%	1.2%	1.3%	-1.4%	-1.3%	0.1%	-0.1%	0.0%	0.2%
<b>Mexico</b>	0.6%	-0.1%	0.0%	-1.0%	0.4%	0.5%	0.1%	0.1%	0.1%	0.0%	0.1%	0.3%
<b>Netherlands</b>	-0.2%	-0.8%	1.2%	0.3%	-1.5%	-1.4%	-0.1%	0.0%	0.4%	0.3%	-0.2%	0.0%
<b>Poland</b>	-0.4%	-1.1%	-0.1%	-1.0%	0.2%	0.3%	-0.2%	-0.1%	-0.2%	-0.3%	-0.1%	0.1%
<b>Russia</b>	0.6%	-0.1%	0.0%	-0.9%	0.8%	0.9%	-0.1%	0.0%	0.0%	-0.1%	-0.2%	0.0%
<b>South Africa</b>	0.2%	-0.5%	0.3%	-0.6%	-0.1%	0.0%	-0.2%	-0.1%	0.1%	0.0%	0.0%	0.2%
<b>Spain</b>	-1.7%	-2.4%	-0.6%	-1.5%	-0.5%	-0.4%	-0.1%	0.0%	-0.4%	-0.5%	-0.2%	0.0%
<b>Sweden</b>	-0.5%	-1.2%	-0.2%	-1.1%	0.0%	0.1%	-0.1%	0.0%	0.0%	-0.1%	-0.2%	0.0%
<b>Switzerland</b>	0.6%	0.0%	1.1%	0.1%	-0.1%	0.0%	-0.1%	0.0%	-0.1%	-0.2%	-0.2%	0.0%
<b>Thailand</b>	0.9%	0.2%	1.5%	0.6%	0.0%	0.1%	-0.4%	-0.3%	-0.3%	-0.4%	0.0%	0.2%
<b>Turkey</b>	0.8%	0.1%	1.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%	0.1%	0.0%	-0.1%	0.1%
<b>United Kingdom</b>	-1.7%	-2.4%	-1.1%	-2.0%	-0.5%	-0.4%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%
<b>United States</b>	-0.6%	-1.3%	-0.1%	-1.0%	-0.3%	-0.2%	-0.1%	0.0%	0.0%	-0.1%	-0.2%	0.0%
<b>Euro Area (agg) 1/</b>	0.1%	-0.6%	0.5%	-0.4%	-0.3%	-0.1%	-0.1%	0.0%	0.1%	0.0%	-0.2%	0.0%

1/ Euro area policy gap contributions are GDP-weighted averages of the 11 largest Euro area economies.

### Breakdown of 2014 Policy Gap Contribution: Fiscal Balance/GDP

	Overall Contribution	beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
<b>Australia</b>	-0.7%	0.47	-1.6%	-3.5%	-3.0%	0.5%	-3.0%	-1.0%
<b>Belgium</b>	-0.6%	0.47	-1.3%	-3.3%	-2.5%	0.8%	-3.0%	-1.0%
<b>Brazil</b>	-0.3%	0.47	-0.7%	-2.6%	-6.2%	-3.6%	-3.0%	-1.0%
<b>Canada</b>	0.7%	0.47	1.6%	-0.4%	-1.5%	-1.1%	-3.0%	-1.0%
<b>China</b>	0.7%	0.47	1.5%	-0.5%	-0.7%	-0.2%	-3.0%	-1.0%
<b>France</b>	-0.4%	0.47	-0.8%	-2.8%	-2.8%	0.0%	-3.0%	-1.0%
<b>Germany</b>	1.5%	0.47	3.2%	1.3%	0.8%	-0.5%	-3.0%	-1.0%
<b>India</b>	-0.1%	0.47	-0.1%	-2.1%	-7.1%	-5.0%	-3.0%	-1.0%
<b>Indonesia</b>	0.4%	0.47	0.9%	-1.0%	-2.1%	-1.1%	-3.0%	-1.0%
<b>Italy</b>	0.6%	0.47	1.3%	-0.6%	-0.6%	0.0%	-3.0%	-1.0%
<b>Japan</b>	-2.6%	0.47	-5.5%	-7.4%	-7.4%	0.1%	-3.0%	-1.0%
<b>Korea</b>	0.4%	0.47	0.8%	-1.1%	0.6%	1.7%	-3.0%	-1.0%
<b>Malaysia</b>	0.1%	0.47	0.1%	-1.8%	-3.8%	-2.0%	-3.0%	-1.0%
<b>Mexico</b>	0.0%	0.47	-0.1%	-2.0%	-4.5%	-2.5%	-3.0%	-1.0%
<b>Netherlands</b>	1.2%	0.47	2.5%	0.6%	0.6%	0.0%	-3.0%	-1.0%
<b>Poland</b>	-0.1%	0.47	-0.3%	-2.2%	-3.2%	-1.0%	-3.0%	-1.0%
<b>Russia</b>	0.0%	0.47	0.0%	-2.0%	0.0%	2.0%	-3.0%	-1.0%
<b>South Africa</b>	0.3%	0.47	0.7%	-1.2%	-3.7%	-2.5%	-3.0%	-1.0%
<b>Spain</b>	-0.6%	0.47	-1.2%	-3.1%	-3.1%	0.0%	-3.0%	-1.0%
<b>Sweden</b>	-0.2%	0.47	-0.5%	-2.4%	-1.4%	1.0%	-3.0%	-1.0%
<b>Switzerland</b>	1.1%	0.47	2.2%	0.3%	0.3%	0.0%	-3.0%	-1.0%
<b>Thailand</b>	1.5%	0.47	3.3%	1.3%	-1.2%	-2.5%	-3.0%	-1.0%
<b>Turkey</b>	1.0%	0.47	2.1%	0.1%	-1.5%	-1.6%	-3.0%	-1.0%
<b>United Kingdom</b>	-1.1%	0.47	-2.3%	-4.3%	-4.3%	0.0%	-3.0%	-1.0%
<b>United States</b>	-0.1%	0.47	-0.2%	-2.2%	-4.5%	-2.4%	-3.0%	-1.0%
<b>Euro Area (agg)</b>	0.5%	0.47	1.0%	-0.9%	-1.1%	-0.1%	-3.0%	-1.0%

1/ (P-P\_wo) - (P\*-P\*\_wo).

### Breakdown of 2014 Policy Gap Contribution : Public Expenditure on Health/GDP 1

	Overall Contribution	beta	Policy Gap 2/	(P-P*)	P	P*	P_wo	P*_wo	P* bench- mark from regression 3/
<b>Australia</b>	0.3%	-0.50	-0.5%	-0.8%	6.0%	6.8%	6.0%	6.2%	6.8%
<b>Belgium</b>	-0.1%	-0.50	0.2%	-0.1%	8.2%	8.3%	6.0%	6.2%	6.7%
<b>Brazil</b>	-0.1%	-0.50	0.2%	0.0%	4.1%	4.1%	6.0%	6.2%	4.1%
<b>Canada</b>	-0.1%	-0.50	0.2%	0.0%	7.9%	7.9%	6.0%	6.2%	6.6%
<b>China</b>	0.8%	-0.50	-1.6%	-1.8%	1.4%	3.3%	6.0%	6.2%	3.5%
<b>France</b>	-0.1%	-0.50	0.2%	0.0%	8.9%	8.9%	6.0%	6.2%	7.3%
<b>Germany</b>	-0.1%	-0.50	0.2%	0.0%	8.8%	8.8%	6.0%	6.2%	8.0%
<b>India</b>	-0.2%	-0.50	0.3%	0.1%	1.4%	1.3%	6.0%	6.2%	1.9%
<b>Indonesia</b>	-0.1%	-0.50	0.2%	-0.1%	1.2%	1.3%	6.0%	6.2%	3.0%
<b>Italy</b>	-0.1%	-0.50	0.2%	0.0%	7.1%	7.1%	6.0%	6.2%	7.5%
<b>Japan</b>	-0.1%	-0.50	0.2%	0.0%	8.4%	8.4%	6.0%	6.2%	7.9%
<b>Korea</b>	0.4%	-0.50	-0.8%	-1.0%	4.1%	5.1%	6.0%	6.2%	5.1%
<b>Malaysia</b>	1.2%	-0.50	-2.4%	-2.6%	1.7%	4.3%	6.0%	6.2%	4.6%
<b>Mexico</b>	0.4%	-0.50	-0.7%	-1.0%	3.1%	4.1%	6.0%	6.2%	4.0%
<b>Netherlands</b>	-1.5%	-0.50	3.0%	2.8%	10.3%	7.5%	6.0%	6.2%	7.0%
<b>Poland</b>	0.2%	-0.50	-0.3%	-0.5%	4.7%	5.2%	6.0%	6.2%	5.3%
<b>Russia</b>	0.8%	-0.50	-1.6%	-1.8%	3.5%	5.3%	6.0%	6.2%	5.6%
<b>South Africa</b>	-0.1%	-0.50	0.2%	0.0%	4.0%	4.0%	6.0%	6.2%	4.2%
<b>Spain</b>	-0.5%	-0.50	1.0%	0.8%	7.2%	6.4%	6.0%	6.2%	6.3%
<b>Sweden</b>	0.0%	-0.50	0.1%	-0.2%	7.9%	8.0%	6.0%	6.2%	8.1%
<b>Switzerland</b>	-0.1%	-0.50	0.2%	0.0%	7.5%	7.5%	6.0%	6.2%	7.4%
<b>Thailand</b>	0.0%	-0.50	0.0%	-0.3%	3.0%	3.3%	6.0%	6.2%	4.0%
<b>Turkey</b>	-0.1%	-0.50	0.2%	0.0%	4.1%	4.1%	6.0%	6.2%	4.1%
<b>United Kingdom</b>	-0.5%	-0.50	0.9%	0.7%	8.5%	7.8%	6.0%	6.2%	7.3%
<b>United States</b>	-0.3%	-0.50	0.6%	0.4%	7.6%	7.2%	6.0%	6.2%	7.1%
<b>Euro Area (agg)</b>	-0.3%	-0.50	0.5%	0.3%	8.2%	7.9%	6.0%	6.2%	7.4%

1/ This variable is lagged in estimation, thus 2013 values are shown ; before small M.C. adjustment.

2/  $(P - P_{wo}) - (P^* - P^*_{wo})$ .

3/ Fitted value from cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.

**Breakdown of 2014 Policy Gap Contribution : (Change in FX Reserves)/GDP 1/**

	Overall Contribution	beta	Policy Gap 2/	(P_KC)-(P_KC)*	(P_KC)	(P_KC)*	(P_KC)_wo	(P_KC)*_wo	Components			
									P	P*	KC	KC*
Australia	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.00	0.00
Belgium	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.1%	-0.1%	0.00	0.00
Brazil	0.4%	0.45	0.9%	1.0%	0.9%	-0.1%	0.1%	0.0%	3.6%	-0.6%	0.25	0.15
Canada	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
China	0.2%	0.45	0.4%	0.6%	0.6%	0.0%	0.1%	0.0%	1.1%	0.0%	0.50	0.15
France	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
Germany	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
India	0.3%	0.45	0.8%	0.9%	0.9%	0.0%	0.1%	0.0%	1.8%	0.0%	0.50	0.15
Indonesia	0.1%	0.45	0.2%	0.3%	0.6%	0.2%	0.1%	0.0%	1.5%	1.5%	0.38	0.15
Italy	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
Japan	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.00	0.00
Korea	-0.1%	0.45	-0.1%	0.0%	0.2%	0.2%	0.1%	0.0%	1.6%	1.6%	0.13	0.13
Malaysia	-1.4%	0.45	-3.0%	-2.9%	-2.1%	0.8%	0.1%	0.0%	-5.7%	5.0%	0.38	0.15
Mexico	0.1%	0.45	0.1%	0.3%	0.5%	0.2%	0.1%	0.0%	1.3%	1.3%	0.38	0.15
Netherlands	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.00	0.00
Poland	-0.2%	0.45	-0.4%	-0.3%	-0.3%	0.0%	0.1%	0.0%	-1.1%	0.1%	0.25	0.15
Russia	-0.1%	0.45	-0.1%	0.0%	-0.8%	-0.8%	0.1%	0.0%	-6.3%	-6.3%	0.13	0.13
South Africa	-0.2%	0.45	-0.4%	-0.2%	0.0%	0.2%	0.1%	0.0%	0.0%	1.5%	0.25	0.15
Spain	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
Sweden	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.00	0.00
Switzerland	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	3.1%	3.1%	0.00	0.00
Thailand	-0.4%	0.45	-0.8%	-0.7%	-0.7%	0.0%	0.1%	0.0%	-2.7%	0.0%	0.25	0.15
Turkey	-0.1%	0.45	-0.2%	-0.1%	0.1%	0.2%	0.1%	0.0%	0.5%	1.5%	0.25	0.15
United Kingdom	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
United States	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00
Euro Area (agg)	-0.1%	0.45	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.00	0.00

1/ Before small Multilateral Consistency adjustment.

2/ [(P\_KC)-(P\_KC)\_wo] - [(P\_KC)\*-(P\_KC)\*\_wo].

**Breakdown of 2014 Policy Gap Contribution : Private Credit/GDP (after removing country mean)**

	Overall Contribution	beta	Policy Gap 1/	(P-P*)	P	P*	P_wo	P*_wo
<b>Australia</b>	0.1%	-0.021	-4.9%	0.0%	51.2%	51.2%	28.8%	23.9%
<b>Belgium</b>	0.1%	-0.021	-6.7%	-1.8%	25.0%	26.8%	28.8%	23.9%
<b>Brazil</b>	0.1%	-0.021	-4.9%	0.0%	26.7%	26.7%	28.8%	23.9%
<b>Canada</b>	0.1%	-0.021	-4.9%	0.0%	32.9%	32.9%	28.8%	23.9%
<b>China</b>	-0.4%	-0.021	17.7%	22.6%	43.1%	20.5%	28.8%	23.9%
<b>France</b>	0.1%	-0.021	-5.3%	-0.4%	24.1%	24.6%	28.8%	23.9%
<b>Germany</b>	0.1%	-0.021	-4.9%	0.0%	-2.2%	-2.2%	28.8%	23.9%
<b>India</b>	0.0%	-0.021	-1.0%	3.9%	18.9%	15.0%	28.8%	23.9%
<b>Indonesia</b>	0.1%	-0.021	-4.7%	0.1%	3.1%	2.9%	28.8%	23.9%
<b>Italy</b>	0.1%	-0.021	-4.9%	0.0%	44.8%	44.8%	28.8%	23.9%
<b>Japan</b>	0.1%	-0.021	-4.9%	0.0%	-3.5%	-3.5%	28.8%	23.9%
<b>Korea</b>	0.3%	-0.021	-13.6%	-8.7%	23.1%	31.8%	28.8%	23.9%
<b>Malaysia</b>	0.1%	-0.021	-2.4%	2.5%	11.5%	9.0%	28.8%	23.9%
<b>Mexico</b>	0.1%	-0.021	-4.9%	0.0%	10.1%	10.1%	28.8%	23.9%
<b>Netherlands</b>	0.4%	-0.021	-18.2%	-13.4%	79.4%	92.7%	28.8%	23.9%
<b>Poland</b>	-0.2%	-0.021	8.6%	13.4%	27.4%	14.0%	28.8%	23.9%
<b>Russia</b>	0.0%	-0.021	-0.2%	4.7%	30.3%	25.7%	28.8%	23.9%
<b>South Africa</b>	0.1%	-0.021	-4.9%	0.0%	33.2%	33.2%	28.8%	23.9%
<b>Spain</b>	-0.4%	-0.021	17.8%	22.7%	61.7%	39.0%	28.8%	23.9%
<b>Sweden</b>	0.0%	-0.021	1.7%	6.5%	31.1%	24.5%	28.8%	23.9%
<b>Switzerland</b>	-0.1%	-0.021	3.4%	8.2%	26.2%	18.0%	28.8%	23.9%
<b>Thailand</b>	-0.3%	-0.021	14.6%	19.5%	45.5%	26.0%	28.8%	23.9%
<b>Turkey</b>	0.1%	-0.021	-4.9%	0.0%	41.9%	41.9%	28.8%	23.9%
<b>United Kingdom</b>	0.1%	-0.021	-4.9%	0.0%	31.6%	31.6%	28.8%	23.9%
<b>United States</b>	0.0%	-0.021	-2.2%	2.6%	31.9%	29.2%	28.8%	23.9%
<b>Euro Area (agg)</b>	0.1%	-0.021	-3.0%	1.9%	30.1%	28.2%	28.8%	23.9%

1/ (P-P\_wo) - (P\*-P\*\_wo).



**Breakdown of 2014 Policy Gap Contribution : Capital Controls 1/**

	Overall Contribution	Lagged [ demeaned PPP GDP per working pop. relative to (US+JPN+DEU)*(1- Capital Control)]						Lagged [VIX * (1-Capital Control)]					Lagged [VIX * (1-Capital Control) * share of own currency in world reserve]				
		Contribution	beta	(P-P*)	P	P*	PPP GDP 2/	Contribution	beta	(P-P*)	P	P*	Contribution	beta	(P-P*)	P	P*
<b>Australia</b>	0.0%	0.0%	0.05	0.0%	39.2%	39.2%	39.2%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Belgium</b>	0.0%	0.0%	0.05	0.0%	34.9%	34.9%	34.9%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>Brazil</b>	0.1%	0.1%	0.05	2.4%	-18.8%	-21.2%	-25.0%	0.0%	0.04	0.8%	-5.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Canada</b>	0.0%	0.0%	0.05	0.0%	33.5%	33.5%	33.5%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>China</b>	0.7%	0.6%	0.05	12.3%	-17.7%	-29.9%	-35.3%	0.1%	0.04	2.7%	-3.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>France</b>	0.0%	0.0%	0.05	0.0%	31.4%	31.4%	31.4%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>Germany</b>	0.0%	0.0%	0.05	0.0%	39.6%	39.6%	39.6%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>India</b>	0.8%	0.7%	0.05	16.3%	-23.4%	-39.7%	-46.8%	0.1%	0.04	2.7%	-3.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Indonesia</b>	0.4%	0.4%	0.05	8.1%	-22.9%	-31.0%	-36.6%	0.1%	0.04	1.7%	-4.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Italy</b>	0.0%	0.0%	0.05	0.0%	20.0%	20.0%	20.0%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>Japan</b>	0.0%	0.0%	0.05	0.0%	27.3%	27.3%	27.3%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-0.3%	-0.3%
<b>Korea</b>	0.0%	0.0%	0.05	0.0%	7.2%	7.2%	8.2%	0.0%	0.04	0.0%	-6.8%	-6.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Malaysia</b>	0.2%	0.1%	0.05	2.2%	-6.2%	-8.4%	-9.9%	0.1%	0.04	1.7%	-4.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Mexico</b>	0.3%	0.2%	0.05	4.5%	-12.5%	-17.0%	-20.1%	0.1%	0.04	1.7%	-4.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Netherlands</b>	0.0%	0.0%	0.05	0.0%	43.2%	43.2%	43.2%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>Poland</b>	0.1%	0.0%	0.05	0.9%	-7.3%	-8.3%	-9.8%	0.0%	0.04	0.8%	-5.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Russia</b>	0.0%	0.0%	0.05	0.0%	-8.3%	-8.3%	-9.4%	0.0%	0.04	0.0%	-6.8%	-6.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>South Africa</b>	0.2%	0.1%	0.05	2.9%	-22.6%	-25.6%	-30.2%	0.0%	0.04	0.8%	-5.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Spain</b>	0.0%	0.0%	0.05	0.0%	11.9%	11.9%	11.9%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%
<b>Sweden</b>	0.0%	0.0%	0.05	0.0%	43.0%	43.0%	43.0%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Switzerland</b>	0.0%	0.0%	0.05	0.0%	63.1%	63.1%	63.1%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Thailand</b>	0.2%	0.1%	0.05	3.0%	-22.9%	-25.9%	-30.5%	0.0%	0.04	0.8%	-5.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>Turkey</b>	0.1%	0.1%	0.05	1.7%	-13.3%	-15.1%	-17.8%	0.0%	0.04	0.8%	-5.9%	-6.6%	0.0%	-0.09	0.0%	0.0%	0.0%
<b>United Kingdom</b>	0.0%	0.0%	0.05	0.0%	26.4%	26.4%	26.4%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-0.3%	-0.3%
<b>United States</b>	0.0%	0.0%	0.05	0.0%	56.5%	56.5%	56.5%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-4.9%	-4.9%
<b>Euro Area (agg)</b>	0.0%	0.0%	0.05	0.0%	29.8%	29.8%	29.9%	0.0%	0.04	0.0%	-7.8%	-7.8%	0.0%	-0.09	0.0%	-2.0%	-2.0%

1/ Before small Multilateral Consistency adjustment

2/ Lagged PPP GDP per working population(15-64) relative to average of (US+Japan+Germany), demeaned of overall sample mean

**Estimated Contribution to Current Account of Output Gap and TOT Gap in 2014**

	Relative output gap coefficient = <b>-0.3846</b>				* Openness Coefficient = <b>0.1975</b>				Contribution Sum	M.C. Adj. Contribution Sum
	Contribution		Data		Contribution		Data			
	rel. ygap	rel. ygap	ygap	ygap_wo	tgap*open	tgap*open	tgap	open2y		
<b>Australia</b>	0.0%	0.0%	-1.4%	-1.4%	0.2%	1.0%	5.0%	20.7%	0.2%	0.3%
<b>Belgium</b>	0.0%	0.0%	-1.4%	-1.4%	-0.2%	-0.8%	-1.0%	83.3%	-0.2%	-0.1%
<b>Brazil</b>	-0.5%	1.4%	-0.1%	-1.4%	0.1%	0.4%	4.1%	9.7%	-0.4%	-0.4%
<b>Canada</b>	-0.3%	0.8%	-0.6%	-1.4%	0.2%	1.2%	3.7%	32.0%	-0.1%	0.0%
<b>China</b>	-0.3%	0.7%	-0.8%	-1.4%	-0.2%	-1.0%	-4.2%	22.6%	-0.4%	-0.4%
<b>France</b>	0.5%	-1.4%	-2.8%	-1.4%	-0.1%	-0.7%	-2.2%	30.3%	0.4%	0.5%
<b>Germany</b>	-0.4%	1.2%	-0.3%	-1.4%	-0.2%	-0.8%	-1.9%	42.5%	-0.6%	-0.5%
<b>India</b>	-0.4%	1.0%	-0.4%	-1.4%	-0.3%	-1.4%	-5.5%	25.5%	-0.7%	-0.6%
<b>Indonesia</b>	-0.5%	1.4%	-0.1%	-1.4%	0.1%	0.4%	1.7%	22.5%	-0.5%	-0.4%
<b>Italy</b>	1.2%	-3.1%	-4.6%	-1.4%	-0.2%	-1.0%	-3.6%	27.8%	1.0%	1.1%
<b>Japan</b>	0.1%	-0.2%	-1.7%	-1.4%	-0.2%	-1.2%	-6.1%	20.1%	-0.2%	-0.1%
<b>Korea</b>	-0.4%	1.2%	-0.3%	-1.4%	-0.4%	-2.1%	-4.4%	48.4%	-0.9%	-0.8%
<b>Malaysia</b>	-1.1%	2.8%	1.3%	-1.4%	0.3%	1.3%	1.7%	74.8%	-0.8%	-0.7%
<b>Mexico</b>	-0.2%	0.5%	-0.9%	-1.4%	0.1%	0.5%	1.6%	33.3%	-0.1%	0.0%
<b>Netherlands</b>	1.3%	-3.4%	-4.8%	-1.4%	0.0%	-0.1%	-0.1%	78.1%	1.3%	1.4%
<b>Poland</b>	-0.3%	0.9%	-0.6%	-1.4%	-0.1%	-0.6%	-1.3%	46.1%	-0.4%	-0.4%
<b>Russia</b>	-0.8%	2.2%	0.7%	-1.4%	0.9%	4.5%	17.1%	26.6%	0.1%	0.1%
<b>South Africa</b>	-0.2%	0.4%	-1.0%	-1.4%	0.0%	0.0%	0.0%	32.2%	-0.2%	-0.1%
<b>Spain</b>	1.4%	-3.6%	-5.0%	-1.4%	-0.2%	-0.8%	-2.7%	30.8%	1.2%	1.3%
<b>Sweden</b>	0.0%	0.1%	-1.3%	-1.4%	-0.1%	-0.3%	-0.8%	42.2%	-0.1%	0.0%
<b>Switzerland</b>	-0.5%	1.2%	-0.2%	-1.4%	-0.1%	-0.6%	-1.0%	56.8%	-0.6%	-0.5%
<b>Thailand</b>	0.5%	-1.3%	-2.7%	-1.4%	-0.4%	-1.8%	-2.5%	71.4%	0.1%	0.2%
<b>Turkey</b>	-0.6%	1.4%	0.0%	-1.4%	-0.2%	-1.0%	-3.4%	29.8%	-0.8%	-0.7%
<b>United Kingdom</b>	0.1%	-0.3%	-1.8%	-1.4%	-0.1%	-0.3%	-1.0%	29.3%	0.1%	0.1%
<b>United States</b>	0.2%	-0.5%	-2.0%	-1.4%	-0.1%	-0.5%	-3.4%	14.9%	0.1%	0.2%
<b>Euro Area (agg)</b>	0.5%	-1.3%	-2.8%	-1.4%	-0.2%	-0.8%	-2.2%	41.2%	0.4%	0.4%

### EBA Analysis of 2014 CA: Coefficients

VARIABLES	Specification (1986-2013)
L. NFA/Y	0.015** (0.016)
L. NFA/Y*(dummy if NFA/Y < -60%)	-0.009 (0.493)
Financial Center Dummy	0.027*** (0.000)
L.Output per worker, relative to top 3 economies	0.033 (0.143)
L.Relative output per worker*K openness	0.046** (0.043)
Oil and Natural Gas Trade Balance * resource temporariness #	0.410*** (0.000)
Dependency Ratio #	-0.057 (0.312)
Population Growth #	-0.565 (0.168)
GDP growth, forecast in 5 years #	-0.425*** (0.000)
L.Public Health Spending/GDP #	-0.503*** (0.000)
L.demeaned VIX*K openness	0.040** (0.011)
L.demeaned VIX*K openness*share in world reserves	-0.093 (0.177)
Own currency's share in world reserves	-0.041*** (0.000)
Output Gap #	-0.385*** (0.000)
Commodity ToTgap*Trade Openness	0.197*** (0.000)
Safer Institutional/Political Environment (index) #	-0.109*** (0.000)
Demeaned Private Credit/GDP #	-0.021*** (0.005)
Cyclically adjusted Fiscal Balance, instrumented #	0.470*** (0.000)
(ΔReserves)/GDP* K controls, instrumented #	0.449** (0.024)
rel. Dependency Ratio*Aging Speed	0.130*** (0.000)
rel. Aging Speed * Dependency Ratio	0.088** (0.039)
Constant	-0.014*** (0.000)
Observations	1,197
Number of countries	49
Root MSE	0.032

P-values of Het-corrected z-statistics in brackets

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1% "L." denotes one year lag.

Note: variables denoted with #are constructed relative to a (GDP-weighted) country sample average, in each year.

## **Section II—REER Regression-based Analysis: *Index REER***

This section contains results from the 2015 EBA’s analysis of 2014 (year average) REER index values, using data available as of Spring 2015. (As supplementary information, the first table shows the estimated change in REERs through May 2015, relative to the 2014 year average level.)

The methodology and regression specification are as explained in IMF Working Paper 13/272, but with the estimation sample now extended to 2013 (rather than 2010).

The summary table identifies a Total REER Gap as the sum of two parts: a gap that arises from the estimated contributions of policy gaps, and a gap that is the regression residual. Note that the regression residual, and its contribution to the Total Gap, requires additional interpretation, outside of the EBA methodology, as to whether the regression residual primarily reflects distortions not captured by the EBA regression (or instead reflects uncaptured fundamentals or other sources of error).

Here the contributions of policy gaps refer to 5 types of policies, the contributions of which are also shown separately. The contributions of each policy gap are calculated analogously to the procedure used for the CA analysis, as described above.

The second table breaks down the policy gap contributions into the 5 types of policies covered by EBA’s REER regression-based analysis. For each policy gap contribution, one can see not only the total contribution but also the subcomponent that is “domestic” (i.e., arising from a country’s own policies rather than policies elsewhere).

The tables on the subsequent pages give details of each of the estimated policy gap.

## EBA Analysis of 2014 Index Real Effective Exchange Rates

Country	Total REER Gap <sup>/a</sup> (C=A+B)	Net Contributions of Policy Gaps						Residual <sup>/a</sup> (B)	Memo: May'15 REER, % dev. from 2014 avg. REER (GDS)
		Sum (A)	Health Exp.	Capital Control	Reserves	Private Credit	Real Interest Rate		
<b>Australia</b>	<b>10.8%</b>	-1.2%	-0.9%	0.0%	0.1%	-0.5%	0.0%	12.1%	-3.9%
<b>Belgium</b>	<b>7.1%</b>	0.1%	-0.2%	0.0%	0.1%	-0.6%	0.8%	7.0%	-5.5%
<b>Brazil</b>	<b>-3.1%</b>	-3.5%	0.1%	-1.4%	-1.8%	-0.4%	-0.1%	0.5%	-10.1%
<b>Canada</b>	<b>-0.5%</b>	-0.4%	-0.1%	0.0%	0.1%	-0.4%	0.0%	0.0%	-4.1%
<b>China</b>	<b>-6.5%</b>	-8.7%	-2.2%	-6.8%	-1.1%	2.9%	-0.4%	1.0%	11.0%
<b>France</b>	<b>-1.1%</b>	0.2%	-0.1%	0.0%	0.0%	-0.5%	0.7%	-1.2%	-5.1%
<b>Germany</b>	<b>7.3%</b>	0.5%	-0.1%	0.0%	0.0%	-0.5%	0.9%	6.9%	-6.0%
<b>India</b>	<b>1.3%</b>	-11.0%	0.4%	-8.7%	-1.5%	0.0%	-1.4%	12.5%	8.5%
<b>Indonesia</b>	<b>-9.8%</b>	-6.0%	0.3%	-4.5%	-0.7%	-0.5%	-0.7%	-3.7%	3.7%
<b>Italy</b>	<b>2.9%</b>	0.4%	-0.1%	0.0%	0.0%	-0.4%	0.8%	2.6%	-5.0%
<b>Japan</b>	<b>-26.3%</b>	-0.8%	0.6%	0.0%	0.1%	-0.9%	-1.0%	-25.2%	-7.0%
<b>Korea</b>	<b>0.1%</b>	-2.2%	-0.7%	0.0%	0.2%	-2.1%	0.2%	2.5%	3.3%
<b>Malaysia</b>	<b>-21.2%</b>	0.4%	-2.9%	-1.5%	5.2%	-0.3%	-0.2%	-21.4%	-2.8%
<b>Mexico</b>	<b>-10.3%</b>	-5.0%	-1.3%	-2.6%	-0.5%	-0.4%	-0.2%	-5.3%	-6.9%
<b>Netherlands</b>	<b>-1.4%</b>	-0.2%	3.5%	0.0%	0.0%	-2.2%	-1.6%	-1.0%	-5.2%
<b>Poland</b>	<b>-2.4%</b>	0.4%	-0.7%	-0.7%	0.5%	1.5%	-0.3%	-2.7%	-2.4%
<b>Russia</b>	<b>-12.6%</b>	-3.3%	-2.1%	0.0%	0.1%	0.2%	-1.5%	-9.2%	-2.5%
<b>South Africa</b>	<b>-22.8%</b>	-1.5%	0.1%	-1.6%	0.5%	-0.4%	-0.1%	-21.2%	2.1%
<b>Spain</b>	<b>13.3%</b>	4.6%	1.0%	0.0%	0.1%	2.8%	0.7%	8.8%	-4.9%
<b>Sweden</b>	<b>-10.3%</b>	0.1%	-0.3%	0.0%	0.0%	0.5%	-0.2%	-10.3%	-7.4%
<b>Switzerland</b>	<b>11.3%</b>	2.4%	0.0%	0.0%	0.0%	0.8%	1.6%	9.0%	10.3%
<b>Thailand</b>	<b>-2.2%</b>	2.0%	0.1%	-1.7%	1.2%	2.1%	0.1%	-4.0%	3.3%
<b>Turkey</b>	<b>6.4%</b>	-2.0%	0.1%	-1.0%	0.2%	-0.4%	-0.9%	8.5%	-1.4%
<b>United Kingdom</b>	<b>5.6%</b>	0.3%	0.8%	0.0%	0.0%	-0.4%	-0.3%	5.4%	6.5%
<b>United States</b>	<b>2.3%</b>	1.2%	1.0%	0.0%	0.1%	-0.1%	0.1%	1.3%	8.8%
<b>Euro Area</b>	<b>4.6%</b>	0.7%	0.3%	0.0%	0.0%	-0.3%	0.5%	4.0%	-9.9%

<sup>/a</sup> For multilateral consistency, adjusted by the weighted average of the 2014 regression residuals (subtracting -1.8%).

### EBA - Estimated Policy Gap Contributions to 2014 Index REER

Country	All (sum)		Health Exp.		Capital Controls		Δ in Reserves		Private Credit		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
<b>Australia</b>	-1.3%	-1.0%	-0.9%	-1.0%	0.0%	0.0%	0.1%	0.0%	-0.5%	0.0%	0.0%	0.0%
<b>Belgium</b>	0.0%	0.8%	-0.2%	-0.1%	0.0%	0.0%	0.1%	0.0%	-0.6%	-0.2%	0.8%	1.1%
<b>Brazil</b>	-3.6%	-3.4%	0.1%	0.0%	-1.4%	-1.4%	-1.8%	-1.7%	-0.4%	0.0%	-0.1%	-0.3%
<b>Canada</b>	-0.4%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.4%	0.0%	0.0%	0.0%
<b>China</b>	-7.5%	-7.3%	-2.2%	-2.3%	-6.8%	-6.8%	-1.1%	-1.0%	2.9%	3.0%	-0.4%	-0.3%
<b>France</b>	0.1%	1.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.1%	0.7%	1.1%
<b>Germany</b>	0.4%	1.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	0.0%	0.9%	1.1%
<b>India</b>	-11.2%	-10.9%	0.4%	0.1%	-8.7%	-8.7%	-1.5%	-1.6%	0.0%	0.5%	-1.4%	-1.2%
<b>Indonesia</b>	-6.1%	-5.8%	0.3%	-0.1%	-4.5%	-4.5%	-0.7%	-0.6%	-0.5%	0.0%	-0.7%	-0.7%
<b>Italy</b>	0.3%	1.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.8%	1.1%
<b>Japan</b>	-1.1%	-1.0%	0.6%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.9%	0.0%	-1.0%	-1.0%
<b>Korea</b>	-2.5%	-2.4%	-0.7%	-1.3%	0.0%	0.0%	0.2%	0.0%	-2.1%	-1.2%	0.2%	0.0%
<b>Malaysia</b>	0.2%	0.4%	-2.9%	-3.2%	-1.5%	-1.5%	5.2%	5.0%	-0.3%	0.3%	-0.2%	-0.2%
<b>Mexico</b>	-5.0%	-4.4%	-1.3%	-1.2%	-2.6%	-2.6%	-0.5%	-0.5%	-0.4%	0.0%	-0.2%	-0.1%
<b>Netherlands</b>	-0.3%	0.5%	3.5%	3.5%	0.0%	0.0%	0.0%	0.0%	-2.2%	-1.8%	-1.6%	-1.2%
<b>Poland</b>	0.3%	1.0%	-0.7%	-0.7%	-0.7%	-0.7%	0.5%	0.5%	1.5%	1.8%	-0.3%	0.1%
<b>Russia</b>	-3.4%	-3.0%	-2.1%	-2.3%	0.0%	0.0%	0.1%	0.0%	0.2%	0.6%	-1.5%	-1.3%
<b>South Africa</b>	-1.6%	-1.3%	0.1%	0.0%	-1.6%	-1.6%	0.5%	0.4%	-0.4%	0.0%	-0.1%	0.0%
<b>Spain</b>	4.5%	5.1%	1.0%	1.0%	0.0%	0.0%	0.1%	0.0%	2.8%	3.0%	0.7%	1.1%
<b>Sweden</b>	0.0%	0.8%	-0.3%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.5%	0.9%	-0.2%	0.1%
<b>Switzerland</b>	2.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.1%	1.6%	1.9%
<b>Thailand</b>	1.8%	1.8%	0.1%	-0.3%	-1.7%	-1.7%	1.2%	1.1%	2.1%	2.6%	0.1%	0.0%
<b>Turkey</b>	-2.1%	-1.5%	0.1%	0.0%	-1.0%	-1.0%	0.2%	0.2%	-0.4%	0.0%	-0.9%	-0.7%
<b>United Kingdom</b>	0.2%	0.9%	0.8%	0.9%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	-0.3%	0.0%
<b>United States</b>	1.0%	0.8%	1.0%	0.5%	0.0%	0.0%	0.1%	0.0%	-0.1%	0.4%	0.1%	0.0%

## Breakdown of 2014 Policy Gap Contribution: Public Expenditure on Health / GDP

Lagged [Health Expenditure to GDP (rel to TRD PRT)]									
Country	Overall Contribution	Coef.	Pol. Gap (1) - (3) - {(2)-(4)}	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	P* benchmark from cross-country regression <sup>a</sup>
<b>Australia</b>	-0.9%	1.23	-0.7%	-0.8%	6.0%	6.8%	6.2%	6.3%	6.8%
<b>Belgium</b>	-0.2%	1.23	-0.1%	-0.1%	8.2%	8.3%	7.2%	7.1%	6.7%
<b>Brazil</b>	0.1%	1.23	0.1%	0.0%	4.1%	4.1%	6.3%	6.4%	4.1%
<b>Canada</b>	-0.1%	1.23	-0.1%	0.0%	7.9%	7.9%	6.8%	6.7%	6.6%
<b>China</b>	-2.2%	1.23	-1.8%	-1.8%	1.4%	3.3%	6.8%	6.8%	3.5%
<b>France</b>	-0.1%	1.23	-0.1%	0.0%	8.9%	8.9%	7.0%	6.9%	7.3%
<b>Germany</b>	-0.1%	1.23	-0.1%	0.0%	8.8%	8.8%	6.7%	6.6%	8.0%
<b>India</b>	0.4%	1.23	0.3%	0.1%	1.4%	1.3%	6.2%	6.4%	1.9%
<b>Indonesia</b>	0.3%	1.23	0.2%	-0.1%	1.2%	1.3%	6.0%	6.2%	3.0%
<b>Italy</b>	-0.1%	1.23	-0.1%	0.0%	7.1%	7.1%	7.1%	7.0%	7.5%
<b>Japan</b>	0.6%	1.23	0.5%	0.0%	8.4%	8.4%	5.1%	5.6%	7.9%
<b>Korea</b>	-0.7%	1.23	-0.6%	-1.0%	4.1%	5.1%	5.6%	6.1%	5.1%
<b>Malaysia</b>	-2.9%	1.23	-2.4%	-2.6%	1.7%	4.3%	5.9%	6.1%	4.6%
<b>Mexico</b>	-1.3%	1.23	-1.1%	-1.0%	3.1%	4.1%	7.0%	6.8%	4.0%
<b>Netherlands</b>	3.5%	1.23	2.8%	2.8%	10.3%	7.5%	7.1%	7.2%	7.0%
<b>Poland</b>	-0.7%	1.23	-0.6%	-0.5%	4.7%	5.2%	7.3%	7.3%	5.3%
<b>Russia</b>	-2.1%	1.23	-1.7%	-1.8%	3.5%	5.3%	6.5%	6.6%	5.6%
<b>South Africa</b>	0.1%	1.23	0.1%	0.0%	4.0%	4.0%	6.6%	6.7%	4.2%
<b>Spain</b>	1.0%	1.23	0.8%	0.8%	7.2%	6.4%	7.2%	7.2%	6.3%
<b>Sweden</b>	-0.3%	1.23	-0.2%	-0.2%	7.9%	8.0%	7.2%	7.1%	8.1%
<b>Switzerland</b>	0.0%	1.23	0.0%	0.0%	7.5%	7.5%	7.2%	7.2%	7.4%
<b>Thailand</b>	0.1%	1.23	0.1%	-0.3%	3.0%	3.3%	6.0%	6.3%	4.0%
<b>Turkey</b>	0.1%	1.23	0.1%	0.0%	4.1%	4.1%	6.8%	6.8%	4.1%
<b>United Kingdom</b>	0.8%	1.23	0.7%	0.7%	8.5%	7.8%	7.0%	7.0%	7.3%
<b>United States</b>	1.0%	1.23	0.8%	0.4%	7.6%	7.2%	5.8%	6.2%	7.1%

<sup>a</sup> Fitted value from a cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.

### Breakdown of 2014 Policy Gap Contribution: Capital Controls

Country	Overall Contribution	P= Lagged [ demeaned PPP GDP per working pop. relative to (US+JPN+DEU)*(Capital Account Openness)] <sup>1/</sup>					Demeaned Lagged GDPpw <sup>2/</sup>	P= Lagged [VIX * (Capital account openness)] <sup>1/</sup>					P= Lagged [VIX * Capital Account Openness * Share of own currency in world reserve] <sup>1/</sup>				
		Contribution	Coef.	Policy Gap (5)-(6)	P (5)	P* (6)		Contribution	Coef.	Policy Gap (7)-(8)	P (7)	P* (8)	Contribution	Coef.	Policy Gap (9)-(10)	P (9)	P* (10)
<b>Australia</b>	0.0%	0.0%	-0.49	0.0%	39.2%	39.2%	0.39	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Belgium</b>	0.0%	0.0%	-0.49	0.0%	34.9%	34.9%	0.35	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>Brazil</b>	-1.4%	-1.2%	-0.49	2.4%	-18.8%	-21.2%	-0.25	-0.2%	-0.26	0.8%	-5.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Canada</b>	0.0%	0.0%	-0.49	0.0%	33.5%	33.5%	0.33	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>China</b>	-6.8%	-6.0%	-0.49	12.3%	-17.7%	-29.9%	-0.35	-0.7%	-0.26	2.7%	-3.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>France</b>	0.0%	0.0%	-0.49	0.0%	31.4%	31.4%	0.31	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>Germany</b>	0.0%	0.0%	-0.49	0.0%	39.6%	39.6%	0.40	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>India</b>	-8.7%	-8.0%	-0.49	16.3%	-23.4%	-39.7%	-0.47	-0.7%	-0.26	2.7%	-3.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Indonesia</b>	-4.5%	-4.0%	-0.49	8.1%	-22.9%	-31.0%	-0.37	-0.5%	-0.26	1.7%	-4.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Italy</b>	0.0%	0.0%	-0.49	0.0%	20.0%	20.0%	0.20	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>Japan</b>	0.0%	0.0%	-0.49	0.0%	27.3%	27.3%	0.27	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-0.3%	-0.3%
<b>Korea</b>	0.0%	0.0%	-0.49	0.0%	7.2%	7.2%	0.08	0.0%	-0.26	0.0%	-6.8%	-6.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Malaysia</b>	-1.5%	-1.1%	-0.49	2.2%	-6.2%	-8.4%	-0.10	-0.5%	-0.26	1.7%	-4.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Mexico</b>	-2.6%	-2.2%	-0.49	4.5%	-12.5%	-17.0%	-0.20	-0.5%	-0.26	1.7%	-4.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Netherlands</b>	0.0%	0.0%	-0.49	0.0%	43.2%	43.2%	0.43	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>Poland</b>	-0.7%	-0.5%	-0.49	0.9%	-7.3%	-8.3%	-0.10	-0.2%	-0.26	0.8%	-5.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Russia</b>	0.0%	0.0%	-0.49	0.0%	-8.3%	-8.3%	-0.09	0.0%	-0.26	0.0%	-6.8%	-6.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>South Africa</b>	-1.6%	-1.4%	-0.49	2.9%	-22.6%	-25.6%	-0.30	-0.2%	-0.26	0.8%	-5.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Spain</b>	0.0%	0.0%	-0.49	0.0%	11.9%	11.9%	0.12	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-2.0%	-2.0%
<b>Sweden</b>	0.0%	0.0%	-0.49	0.0%	43.0%	43.0%	0.43	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Switzerland</b>	0.0%	0.0%	-0.49	0.0%	63.1%	63.1%	0.63	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Thailand</b>	-1.7%	-1.5%	-0.49	3.0%	-22.9%	-25.9%	-0.31	-0.2%	-0.26	0.8%	-5.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>Turkey</b>	-1.0%	-0.9%	-0.49	1.7%	-13.3%	-15.1%	-0.18	-0.2%	-0.26	0.8%	-5.9%	-6.6%	0.0%	0.84	0.0%	0.0%	0.0%
<b>United Kingdom</b>	0.0%	0.0%	-0.49	0.0%	26.4%	26.4%	0.26	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-0.3%	-0.3%
<b>United States</b>	0.0%	0.0%	-0.49	0.0%	56.5%	56.5%	0.56	0.0%	-0.26	0.0%	-7.8%	-7.8%	0.0%	0.84	0.0%	-4.9%	-4.9%

<sup>1/</sup> Capital Account Openness defined as (1- Capital Account Controls)

<sup>2/</sup> Lagged PPP GDP per working population(15-64) relative to average of (US+Japan+Germany), demeaned of overall sample mean



## Breakdown of 2014 Policy Gap Contribution: Change in FX Reserves / GDP

Country	Change in Reserves to GDP * Capital controls (rel to TRD PRT)								Components			
	Overall Contributions	Coef.	Pol. Gap (1) (3) - {(2)-(4)}	P - P* (1) - (2)	P <sup>/a</sup> (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Reserves to GDP	(Reserves to GDP)*	Capital Controls	(Capital Controls)*
<b>Australia</b>	0.2%	-1.73	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Belgium</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.0%	0.0%
<b>Brazil</b>	-1.8%	-1.73	1.1%	1.0%	0.9%	-0.1%	0.0%	0.1%	3.6%	-0.6%	25.0%	15.3%
<b>Canada</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>China</b>	-2.3%	-1.73	0.6%	0.6%	0.6%	0.0%	0.0%	0.0%	1.1%	0.0%	50.0%	15.3%
<b>France</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Germany</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>India</b>	-1.4%	-1.73	0.9%	0.9%	0.9%	0.0%	0.1%	0.0%	1.8%	0.0%	50.0%	15.3%
<b>Indonesia</b>	-0.5%	-1.73	0.4%	0.3%	0.6%	0.2%	0.0%	0.0%	1.5%	1.5%	37.5%	15.3%
<b>Italy</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Japan</b>	0.4%	-1.73	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Korea</b>	0.5%	-1.73	-0.1%	0.0%	0.2%	0.2%	0.1%	0.0%	1.6%	1.6%	12.5%	12.5%
<b>Malaysia</b>	5.4%	-1.73	-3.0%	-2.9%	-2.1%	0.8%	0.1%	0.0%	-5.7%	5.0%	37.5%	15.3%
<b>Mexico</b>	-0.4%	-1.73	0.3%	0.3%	0.5%	0.2%	0.0%	0.0%	1.3%	1.3%	37.5%	15.3%
<b>Netherlands</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Poland</b>	0.6%	-1.73	-0.3%	-0.3%	-0.3%	0.0%	0.0%	0.0%	-1.1%	0.1%	25.0%	15.3%
<b>Russia</b>	0.2%	-1.73	-0.1%	0.0%	-0.8%	-0.8%	0.1%	0.0%	-6.3%	-6.3%	12.5%	12.5%
<b>South Africa</b>	0.6%	-1.73	-0.3%	-0.2%	0.0%	0.2%	0.1%	0.0%	0.0%	1.5%	25.0%	15.3%
<b>Spain</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Sweden</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
<b>Switzerland</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	3.1%	0.0%	0.0%
<b>Thailand</b>	1.3%	-1.73	-0.7%	-0.7%	-0.7%	0.0%	0.0%	0.0%	-2.7%	0.0%	25.0%	15.3%
<b>Turkey</b>	0.3%	-1.73	-0.1%	-0.1%	0.1%	0.2%	0.0%	0.0%	0.5%	1.5%	25.0%	15.3%
<b>United Kingdom</b>	0.1%	-1.73	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>United States</b>	0.3%	-1.73	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

<sup>/a</sup> P is: Change in reserves to GDP \* Capital Controls.

## Breakdown of 2014 Policy Gap Contribution: Private Credit / GDP (after removing country mean)

Private Credit to GDP (rel. to TRD PRT)								
Country	Overall Contributions	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)
<b>Australia</b>	-0.5%	0.13	-3.6%	0.0%	51.2%	51.2%	29.4%	25.7%
<b>Belgium</b>	-0.6%	0.13	-4.5%	-1.8%	25.0%	26.8%	27.7%	25.0%
<b>Brazil</b>	-0.4%	0.13	-3.0%	0.0%	26.7%	26.7%	26.8%	23.8%
<b>Canada</b>	-0.4%	0.13	-3.3%	0.0%	32.9%	32.9%	29.6%	26.3%
<b>China</b>	2.9%	0.13	21.8%	22.6%	43.1%	20.5%	21.5%	20.7%
<b>France</b>	-0.5%	0.13	-4.1%	-0.4%	24.1%	24.6%	29.7%	26.1%
<b>Germany</b>	-0.5%	0.13	-3.4%	0.0%	-2.2%	-2.2%	33.5%	30.1%
<b>India</b>	0.0%	0.13	0.1%	3.9%	18.9%	15.0%	28.0%	24.2%
<b>Indonesia</b>	-0.5%	0.13	-4.0%	0.1%	3.1%	2.9%	26.4%	22.2%
<b>Italy</b>	-0.4%	0.13	-3.2%	0.0%	44.8%	44.8%	26.8%	23.6%
<b>Japan</b>	-0.9%	0.13	-6.7%	0.0%	-3.5%	-3.5%	31.6%	24.9%
<b>Korea</b>	-2.1%	0.13	-15.7%	-8.7%	23.1%	31.8%	26.2%	19.2%
<b>Malaysia</b>	-0.3%	0.13	-2.4%	2.5%	11.5%	9.0%	27.2%	22.3%
<b>Mexico</b>	-0.4%	0.13	-3.2%	0.0%	10.1%	10.1%	29.7%	26.6%
<b>Netherlands</b>	-2.2%	0.13	-16.6%	-13.4%	79.4%	92.7%	25.6%	22.3%
<b>Poland</b>	1.5%	0.13	11.4%	13.4%	27.4%	14.0%	24.7%	22.6%
<b>Russia</b>	0.2%	0.13	1.2%	4.7%	30.3%	25.7%	27.3%	23.9%
<b>South Africa</b>	-0.4%	0.13	-3.2%	0.0%	33.2%	33.2%	27.3%	24.1%
<b>Spain</b>	2.8%	0.13	21.1%	22.7%	61.7%	39.0%	28.3%	26.7%
<b>Sweden</b>	0.5%	0.13	3.4%	6.5%	31.1%	24.5%	29.0%	25.9%
<b>Switzerland</b>	0.8%	0.13	5.9%	8.2%	26.2%	18.0%	25.2%	22.8%
<b>Thailand</b>	2.1%	0.13	15.7%	19.5%	45.5%	26.0%	23.3%	19.5%
<b>Turkey</b>	-0.4%	0.13	-2.8%	0.0%	41.9%	41.9%	28.3%	25.5%
<b>United Kingdom</b>	-0.4%	0.13	-2.9%	0.0%	31.6%	31.6%	30.3%	27.4%
<b>United States</b>	-0.1%	0.13	-1.0%	2.6%	31.9%	29.2%	25.2%	21.6%

## Breakdown of 2014 Policy Gap Contribution: Real Short Term Interest Rates

Country	Real Short Term Interest Rate interacted with Capital Openness (rel to TRD PRT)								Components			
	Overall Contribution	Coef.	Pol. Gap (1) (3) -	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Real Interest Rate	(Real Interest Rate)*	Capital Controls	(Capital Controls)*
<b>Australia</b>	0.0%	0.66	0.0%	0.0%	-0.2%	-0.2%	-0.3%	-0.3%	-0.2%	-0.2%	0.0%	0.0%
<b>Belgium</b>	0.8%	0.66	1.1%	1.6%	-0.4%	-2.1%	-0.5%	-1.0%	-0.4%	-2.1%	0.0%	0.0%
<b>Brazil</b>	-0.1%	0.66	-0.1%	-0.4%	3.2%	3.7%	-0.4%	-0.1%	4.3%	4.3%	25.0%	15.3%
<b>Canada</b>	0.0%	0.66	0.0%	0.0%	-1.0%	-1.0%	-0.9%	-0.9%	-1.0%	-1.0%	0.0%	0.0%
<b>China</b>	-0.4%	0.66	-0.7%	-0.5%	0.4%	0.8%	-0.4%	-0.6%	0.7%	1.0%	50.0%	15.3%
<b>France</b>	0.7%	0.66	1.1%	1.6%	-0.5%	-2.2%	-0.5%	-1.0%	-0.5%	-2.2%	0.0%	0.0%
<b>Germany</b>	0.9%	0.66	1.4%	1.6%	-0.7%	-2.3%	-0.4%	-0.7%	-0.7%	-2.3%	0.0%	0.0%
<b>India</b>	-1.4%	0.66	-2.1%	-1.8%	-0.2%	1.7%	-0.2%	-0.5%	-0.3%	2.0%	50.0%	15.3%
<b>Indonesia</b>	-0.7%	0.66	-1.1%	-1.1%	0.5%	1.6%	-0.3%	-0.3%	0.8%	1.9%	37.5%	15.3%
<b>Italy</b>	0.8%	0.66	1.1%	1.6%	-0.1%	-1.8%	-0.5%	-1.0%	-0.1%	-1.8%	0.0%	0.0%
<b>Japan</b>	-1.0%	0.66	-1.5%	-1.5%	-2.4%	-0.9%	-0.3%	-0.3%	-2.4%	-0.9%	0.0%	0.0%
<b>Korea</b>	0.2%	0.66	0.2%	0.0%	0.7%	0.7%	-0.6%	-0.3%	0.8%	0.8%	12.5%	12.5%
<b>Malaysia</b>	-0.2%	0.66	-0.3%	-0.3%	0.5%	0.8%	-0.4%	-0.4%	0.9%	1.0%	37.5%	15.3%
<b>Mexico</b>	-0.2%	0.66	-0.3%	-0.1%	0.4%	0.5%	-0.6%	-0.8%	0.6%	0.6%	37.5%	15.3%
<b>Netherlands</b>	-1.6%	0.66	-2.5%	-1.8%	-2.9%	-1.0%	-0.4%	-1.1%	-2.9%	-1.0%	0.0%	0.0%
<b>Poland</b>	-0.3%	0.66	-0.5%	0.1%	1.7%	1.6%	-0.3%	-0.9%	2.2%	1.9%	25.0%	15.3%
<b>Russia</b>	-1.5%	0.66	-2.3%	-2.0%	0.2%	2.2%	-0.3%	-0.6%	0.2%	2.5%	12.5%	12.5%
<b>South Africa</b>	-0.1%	0.66	-0.1%	0.0%	-0.3%	-0.4%	-0.4%	-0.5%	-0.4%	-0.4%	25.0%	15.3%
<b>Spain</b>	0.7%	0.66	1.1%	1.6%	0.3%	-1.4%	-0.5%	-1.0%	0.3%	-1.4%	0.0%	0.0%
<b>Sweden</b>	-0.2%	0.66	-0.4%	0.1%	0.6%	0.5%	-0.5%	-1.0%	0.6%	0.5%	0.0%	0.0%
<b>Switzerland</b>	1.6%	0.66	2.4%	2.9%	-0.1%	-3.0%	-0.6%	-1.1%	-0.1%	-3.0%	0.0%	0.0%
<b>Thailand</b>	0.1%	0.66	0.2%	0.0%	-0.3%	-0.3%	-0.5%	-0.3%	-0.4%	-0.4%	25.0%	15.3%
<b>Turkey</b>	-0.9%	0.66	-1.4%	-1.0%	1.1%	2.1%	-0.3%	-0.7%	1.5%	2.5%	25.0%	15.3%
<b>United Kingdom</b>	-0.3%	0.66	-0.5%	0.0%	-1.0%	-1.0%	-0.5%	-1.0%	-1.0%	-1.0%	0.0%	0.0%
<b>United States</b>	0.1%	0.66	0.1%	0.0%	-1.4%	-1.4%	-0.4%	-0.3%	-1.4%	-1.4%	0.0%	0.0%

(1) P = domestic interest rate x domestic capital account openness

(2) P\* = domestic interest rate\* x domestic capital account openness\*

(3) P (trading partners) = (trading partner interest rate x trading partner capital account openness) x domestic capital account openness

(4) P\* (trading partners) = (trading partner interest rate\* x trading partner capital account openness\*) x domestic capital account openness\*

The real interest rate accounts for the estimated effect of Q.E. for Japan, U.S. and U.K.

### EBA Analysis of 2014 Index REER: Coefficients

#### VARIABLES

Change in reserves to GDP * cap controls (rel to TRD PRT)	-1.73*** (0.00)
Lag of health expenditure to GDP (rel to TRD PRT)	1.23 (0.11)
Real interest rate differential interacted with K openness (rel to TRD PRT)	0.66*** (0.00)
Private credit/GDP (rel to TRD PRT)	0.13*** (0.00)
Lag of Demeaned GDPpw/Top3GDPpw (PPP)	0.70*** (0.00)
Lag of Demeaned GDPpw/Top3GDPpw (PPP)]* capital openness	-0.49*** (0.00)
Lag of VIX * capital account openness	-0.26*** (0.00)
Lag of VIX * capital account openness *share of own currency in global reserve	0.84** (0.02)
Share of the country's currency held as FX reserve by central banks worldwide	0.04 (0.54)
Lagged financial home bias (share of domestic debt owned by residents, rel to TR	0.37*** (0.00)
Log commodity Terms Of Trade	0.09* (0.06)
Lag of Trade Openness (avg. of exports and imports to GDP) (rel to TRD PRT)	-0.30*** (0.00)
Expected GDP growth of medium-term(5 years out), WEO project (rel to TRD PRT)	1.86*** (0.00)
Population Growth (rel to TRD PRT)	0.86 (0.61)
Share of administered prices	-2.12*** (0.00)
Dummy south africa apartheid (pre-1994)	0.31*** (0.00)
Constant	4.33*** (0.00)
Observations	882
R-squared	0.61
RMSE	0.08271

Robust pval in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### **Section III—REER Regression-based Analysis: *Level REER***

This section contains results from the 2015 EBA’s analysis of 2014 (year average) REERs, using data available as of Spring 2015.

In comparison to Section II, the key difference here is that the panel regression uses as the dependent variable a measure of the *level* of a country’s real exchange rate (rather than an REER index, which contains no information about how the levels of prices differ across economies). The independent variables used in the regression are similar to those used in the Index REER analysis, though the two regression specifications are not identical.

The structure and presentation of the tables is similar to that of Section II.

## EBA Analysis of the 2014 Level of the REER

Country	Total REER Gap <sup>/a</sup> (C= A+B)	Net Contributions of Policy Gaps						Residual <sup>/a</sup> (B)
		Sum (A)	Health Exp.	Capital Control	Reserves	Private Credit	Real Interest Rate	
<b>Australia</b>	<b>18.4%</b>	-1.8%	-1.3%	0.0%	0.1%	-0.5%	-0.1%	20.1%
<b>Belgium</b>	<b>10.5%</b>	0.2%	-0.3%	0.0%	0.1%	-0.5%	1.0%	10.2%
<b>Brazil</b>	<b>13.5%</b>	-3.1%	0.2%	-0.2%	-2.1%	-0.4%	-0.6%	16.6%
<b>Canada</b>	<b>-10.6%</b>	-0.5%	-0.1%	0.0%	0.1%	-0.4%	0.0%	-10.1%
<b>China</b>	<b>6.8%</b>	-3.5%	-3.2%	-0.9%	-1.3%	2.6%	-0.7%	10.3%
<b>France</b>	<b>10.1%</b>	0.3%	-0.2%	0.0%	0.1%	-0.5%	1.0%	9.7%
<b>Germany</b>	<b>-15.9%</b>	0.7%	-0.1%	0.0%	0.1%	-0.4%	1.2%	-16.6%
<b>India</b>	<b>4.8%</b>	-4.3%	0.5%	-0.9%	-1.9%	0.0%	-2.0%	9.1%
<b>Indonesia</b>	<b>-8.4%</b>	-2.6%	0.4%	-0.6%	-0.8%	-0.5%	-1.1%	-5.9%
<b>Italy</b>	<b>6.6%</b>	0.6%	-0.1%	0.0%	0.1%	-0.4%	1.0%	6.1%
<b>Japan</b>	<b>-21.0%</b>	-1.2%	0.9%	0.0%	0.2%	-0.8%	-1.5%	-19.8%
<b>Korea</b>	<b>-13.7%</b>	-2.5%	-1.1%	0.0%	0.3%	-1.9%	0.2%	-11.2%
<b>Malaysia</b>	<b>-14.9%</b>	1.0%	-4.3%	-0.6%	6.5%	-0.3%	-0.3%	-15.9%
<b>Mexico</b>	<b>-0.5%</b>	-3.8%	-1.9%	-0.6%	-0.5%	-0.4%	-0.3%	3.3%
<b>Netherlands</b>	<b>-10.1%</b>	0.8%	5.1%	0.0%	0.0%	-2.0%	-2.4%	-10.9%
<b>Poland</b>	<b>-11.3%</b>	0.2%	-1.0%	-0.2%	0.7%	1.3%	-0.5%	-11.5%
<b>Russia</b>	<b>-9.8%</b>	-5.0%	-3.1%	0.0%	0.1%	0.1%	-2.2%	-4.8%
<b>South Africa</b>	<b>-6.8%</b>	-0.1%	0.1%	-0.2%	0.6%	-0.4%	-0.2%	-6.7%
<b>Spain</b>	<b>10.3%</b>	4.8%	1.4%	0.0%	0.1%	2.5%	0.9%	5.5%
<b>Sweden</b>	<b>-6.8%</b>	-0.3%	-0.4%	0.0%	0.1%	0.4%	-0.4%	-6.5%
<b>Switzerland</b>	<b>12.6%</b>	2.8%	-0.1%	0.0%	0.1%	0.7%	2.2%	9.7%
<b>Thailand</b>	<b>-11.4%</b>	3.3%	0.1%	-0.2%	1.4%	1.8%	0.2%	-14.6%
<b>Turkey</b>	<b>17.0%</b>	-1.7%	0.0%	-0.2%	0.3%	-0.4%	-1.4%	18.7%
<b>United Kingdom</b>	<b>2.3%</b>	0.4%	1.2%	0.0%	0.1%	-0.4%	-0.5%	1.9%
<b>United States</b>	<b>8.2%</b>	1.5%	1.4%	0.0%	0.2%	-0.1%	0.0%	6.8%
<b>Euro Area</b>	<b>-0.3%</b>	0.9%	0.5%	0.0%	0.1%	-0.2%	0.6%	-1.3%

<sup>/a</sup> For multilateral consistency, adjusted by the weighted average of the 2014 regression residuals (subtracting -8%).

### EBA - Estimated Policy Gap Contributions to 2014 level of the REER

Country	All (sum)		Health Exp.		Capital Controls		Δ in Reserves		Private Credit		Interest Rate	
	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.	Total	Dom.
<b>Australia</b>	-1.8%	-1.4%	-1.3%	-1.4%	0.0%	0.0%	0.1%	0.0%	-0.5%	0.0%	-0.1%	0.0%
<b>Belgium</b>	0.2%	1.2%	-0.3%	-0.1%	0.0%	0.0%	0.1%	0.0%	-0.5%	-0.2%	1.0%	1.5%
<b>Brazil</b>	-3.1%	-2.8%	0.2%	0.0%	-0.2%	-0.2%	-2.1%	-2.2%	-0.4%	0.0%	-0.6%	-0.4%
<b>Canada</b>	-0.5%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.4%	0.0%	0.0%	0.0%
<b>China</b>	-3.5%	-3.2%	-3.2%	-3.3%	-0.9%	-0.9%	-1.3%	-1.2%	2.6%	2.7%	-0.7%	-0.4%
<b>France</b>	0.3%	1.5%	-0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.5%	-0.1%	1.0%	1.5%
<b>Germany</b>	0.7%	1.5%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.4%	0.0%	1.2%	1.5%
<b>India</b>	-4.3%	-3.9%	0.5%	0.2%	-0.9%	-0.9%	-1.9%	-1.9%	0.0%	0.5%	-2.0%	-1.7%
<b>Indonesia</b>	-2.6%	-2.4%	0.4%	-0.1%	-0.6%	-0.6%	-0.8%	-0.7%	-0.5%	0.0%	-1.1%	-1.0%
<b>Italy</b>	0.6%	1.5%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	-0.4%	0.0%	1.0%	1.5%
<b>Japan</b>	-1.2%	-1.4%	0.9%	0.0%	0.0%	0.0%	0.2%	0.0%	-0.8%	0.0%	-1.5%	-1.4%
<b>Korea</b>	-2.5%	-2.9%	-1.1%	-1.9%	0.0%	0.0%	0.3%	0.0%	-1.9%	-1.0%	0.2%	0.0%
<b>Malaysia</b>	1.0%	1.0%	-4.3%	-4.6%	-0.6%	-0.6%	6.5%	6.2%	-0.3%	0.3%	-0.3%	-0.3%
<b>Mexico</b>	-3.8%	-3.0%	-1.9%	-1.7%	-0.6%	-0.6%	-0.5%	-0.6%	-0.4%	0.0%	-0.3%	-0.1%
<b>Netherlands</b>	0.8%	1.7%	5.1%	5.0%	0.0%	0.0%	0.0%	0.0%	-2.0%	-1.6%	-2.4%	-1.7%
<b>Poland</b>	0.2%	1.1%	-1.0%	-1.0%	-0.2%	-0.2%	0.7%	0.6%	1.3%	1.6%	-0.5%	0.1%
<b>Russia</b>	-5.0%	-4.6%	-3.1%	-3.3%	0.0%	0.0%	0.1%	0.0%	0.1%	0.5%	-2.2%	-1.9%
<b>South Africa</b>	-0.1%	0.2%	0.1%	-0.1%	-0.2%	-0.2%	0.6%	0.5%	-0.4%	0.0%	-0.2%	0.0%
<b>Spain</b>	4.8%	5.6%	1.4%	1.4%	0.0%	0.0%	0.1%	0.0%	2.5%	2.7%	0.9%	1.5%
<b>Sweden</b>	-0.3%	0.6%	-0.4%	-0.3%	0.0%	0.0%	0.1%	0.0%	0.4%	0.8%	-0.4%	0.1%
<b>Switzerland</b>	2.8%	3.7%	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.7%	1.0%	2.2%	2.7%
<b>Thailand</b>	3.3%	3.0%	0.1%	-0.5%	-0.2%	-0.2%	1.4%	1.4%	1.8%	2.3%	0.2%	0.0%
<b>Turkey</b>	-1.7%	-1.0%	0.0%	0.0%	-0.2%	-0.2%	0.3%	0.2%	-0.4%	0.0%	-1.4%	-0.9%
<b>United Kingdom</b>	0.4%	1.3%	1.2%	1.3%	0.0%	0.0%	0.1%	0.0%	-0.4%	0.0%	-0.5%	0.0%
<b>United States</b>	1.5%	1.0%	1.4%	0.7%	0.0%	0.0%	0.2%	0.0%	-0.1%	0.3%	0.0%	0.0%

## Breakdown of 2014 Policy Gap Contribution: Public Expenditure on Health / GDP

Country	Lagged [Health Expenditure to GDP (rel to TRD PRT)]								P* benchmark from cross-country regression <sup>a</sup>
	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	
<b>Australia</b>	-1.3%	1.79	-0.7%	-0.8%	6.0%	6.8%	6.3%	6.4%	6.8%
<b>Belgium</b>	-0.3%	1.79	-0.2%	-0.1%	8.2%	8.3%	7.2%	7.1%	6.7%
<b>Brazil</b>	0.2%	1.79	0.1%	0.0%	4.1%	4.1%	6.5%	6.6%	4.1%
<b>Canada</b>	-0.1%	1.79	-0.1%	0.0%	7.9%	7.9%	6.8%	6.7%	6.6%
<b>China</b>	-3.2%	1.79	-1.8%	-1.8%	1.4%	3.3%	6.8%	6.9%	3.5%
<b>France</b>	-0.2%	1.79	-0.1%	0.0%	8.9%	8.9%	7.1%	7.0%	7.3%
<b>Germany</b>	-0.1%	1.79	-0.1%	0.0%	8.8%	8.8%	6.8%	6.7%	8.0%
<b>India</b>	0.5%	1.79	0.3%	0.1%	1.4%	1.3%	6.3%	6.5%	1.9%
<b>Indonesia</b>	0.4%	1.79	0.2%	-0.1%	1.2%	1.3%	6.0%	6.3%	3.0%
<b>Italy</b>	-0.1%	1.79	-0.1%	0.0%	7.1%	7.1%	7.2%	7.1%	7.5%
<b>Japan</b>	0.9%	1.79	0.5%	0.0%	8.4%	8.4%	5.1%	5.6%	7.9%
<b>Korea</b>	-1.1%	1.79	-0.6%	-1.0%	4.1%	5.1%	5.6%	6.1%	5.1%
<b>Malaysia</b>	-4.3%	1.79	-2.4%	-2.6%	1.7%	4.3%	5.9%	6.1%	4.6%
<b>Mexico</b>	-1.9%	1.79	-1.1%	-1.0%	3.1%	4.1%	7.0%	6.9%	4.0%
<b>Netherlands</b>	5.1%	1.79	2.8%	2.8%	10.3%	7.5%	7.2%	7.2%	7.0%
<b>Poland</b>	-1.0%	1.79	-0.6%	-0.5%	4.7%	5.2%	7.3%	7.3%	5.3%
<b>Russia</b>	-3.1%	1.79	-1.7%	-1.8%	3.5%	5.3%	6.5%	6.6%	5.6%
<b>South Africa</b>	0.1%	1.79	0.1%	0.0%	4.0%	4.0%	6.6%	6.7%	4.2%
<b>Spain</b>	1.4%	1.79	0.8%	0.8%	7.2%	6.4%	7.3%	7.3%	6.3%
<b>Sweden</b>	-0.4%	1.79	-0.2%	-0.2%	7.9%	8.0%	7.2%	7.2%	8.1%
<b>Switzerland</b>	-0.1%	1.79	-0.1%	0.0%	7.5%	7.5%	7.3%	7.3%	7.4%
<b>Thailand</b>	0.1%	1.79	0.0%	-0.3%	3.0%	3.3%	6.0%	6.4%	4.0%
<b>Turkey</b>	0.0%	1.79	0.0%	0.0%	4.1%	4.1%	7.0%	7.0%	4.1%
<b>United Kingdom</b>	1.2%	1.79	0.7%	0.7%	8.5%	7.8%	7.1%	7.0%	7.3%
<b>United States</b>	1.4%	1.79	0.8%	0.4%	7.6%	7.2%	5.8%	6.2%	7.1%

<sup>a</sup> Fitted value from a cross-country regression of public health expenditure on relative per capita income, old age dependency, and income inequality (Gini coefficient). For reference; desk value may differ.



### Breakdown of 2014 Policy Gap Contribution: Capital Controls

Country	Overall Contribution	P= Lagged [VIX * (Capital account openness)] <sup>1</sup>					P= Lagged [VIX * Capital Account Openness * Share of own currency in world reserve] <sup>1</sup>				
		Contribution	Coef.	Policy Gap (7)-(8)	P (7)	P* (8)	Contribution	Coef.	Policy Gap (9)-(10)	P (9)	P* (10)
<b>Australia</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Belgium</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>Brazil</b>	-0.2%	-0.2%	-0.33	0.8%	-5.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Canada</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>China</b>	-0.9%	-0.9%	-0.33	2.7%	-3.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>France</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>Germany</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>India</b>	-0.9%	-0.9%	-0.33	2.7%	-3.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Indonesia</b>	-0.6%	-0.6%	-0.33	1.7%	-4.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Italy</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>Japan</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-0.3%	-0.3%
<b>Korea</b>	0.0%	0.0%	-0.33	0.0%	-6.8%	-6.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Malaysia</b>	-0.6%	-0.6%	-0.33	1.7%	-4.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Mexico</b>	-0.6%	-0.6%	-0.33	1.7%	-4.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Netherlands</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>Poland</b>	-0.2%	-0.2%	-0.33	0.8%	-5.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Russia</b>	0.0%	0.0%	-0.33	0.0%	-6.8%	-6.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>South Africa</b>	-0.2%	-0.2%	-0.33	0.8%	-5.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Spain</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-2.0%	-2.0%
<b>Sweden</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Switzerland</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Thailand</b>	-0.2%	-0.2%	-0.33	0.8%	-5.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>Turkey</b>	-0.2%	-0.2%	-0.33	0.8%	-5.9%	-6.6%	0.0%	0.98	0.0%	0.0%	0.0%
<b>United Kingdom</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-0.3%	-0.3%
<b>United States</b>	0.0%	0.0%	-0.33	0.0%	-7.8%	-7.8%	0.0%	0.98	0.0%	-4.9%	-4.9%

<sup>1/</sup> Capital Account Openness defined as (1- Capital Account Controls)

<sup>2/</sup> Lagged PPP GDP per working population(15-64) relative to average of (US+Japan+Germany), demeaned of overall sample mean

## Breakdown of 2014 Policy Gap Contribution: Change in FX Reserves / GDP

Country	Change in Reserves to GDP * Capital controls (rel to TRD PRT)								Components			
	Overall Contributions	Coef.	Pol. Gap (1)-(3) - ((2)-(4))	P - P* (1) - (2)	P <sup>/a</sup> (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)	Reserves to GDP	(Reserves to GDP)*	Capital Controls	(Capital Controls)*
<b>Australia</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Belgium</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.0%	0.0%
<b>Brazil</b>	-2.1%	-2.16	1.0%	1.0%	0.9%	-0.1%	0.1%	0.0%	3.6%	-0.6%	25.0%	15.3%
<b>Canada</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>China</b>	-1.3%	-2.16	0.6%	0.6%	0.6%	0.0%	0.0%	0.0%	1.1%	0.0%	50.0%	15.3%
<b>France</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Germany</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>India</b>	-1.9%	-2.16	0.9%	0.9%	0.9%	0.0%	0.0%	0.0%	1.8%	0.0%	50.0%	15.3%
<b>Indonesia</b>	-0.8%	-2.16	0.4%	0.3%	0.6%	0.2%	0.0%	0.0%	1.5%	1.5%	37.5%	15.3%
<b>Italy</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Japan</b>	0.2%	-2.16	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Korea</b>	0.3%	-2.16	-0.1%	0.0%	0.2%	0.2%	0.1%	0.0%	1.6%	1.6%	12.5%	12.5%
<b>Malaysia</b>	6.5%	-2.16	-3.0%	-2.9%	-2.1%	0.8%	0.1%	0.0%	-5.7%	5.0%	37.5%	15.3%
<b>Mexico</b>	-0.5%	-2.16	0.3%	0.3%	0.5%	0.2%	0.0%	0.0%	1.3%	1.3%	37.5%	15.3%
<b>Netherlands</b>	0.0%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>Poland</b>	0.7%	-2.16	-0.3%	-0.3%	-0.3%	0.0%	0.0%	0.0%	-1.1%	0.1%	25.0%	15.3%
<b>Russia</b>	0.1%	-2.16	-0.1%	0.0%	-0.8%	-0.8%	0.1%	0.0%	-6.3%	-6.3%	12.5%	12.5%
<b>South Africa</b>	0.6%	-2.16	-0.3%	-0.2%	0.0%	0.2%	0.1%	0.0%	0.0%	1.5%	25.0%	15.3%
<b>Spain</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Sweden</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
<b>Switzerland</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	3.1%	0.0%	0.0%
<b>Thailand</b>	1.4%	-2.16	-0.7%	-0.7%	-0.7%	0.0%	0.0%	0.0%	-2.7%	0.0%	25.0%	15.3%
<b>Turkey</b>	0.3%	-2.16	-0.1%	-0.1%	0.1%	0.2%	0.0%	0.0%	0.5%	1.5%	25.0%	15.3%
<b>United Kingdom</b>	0.1%	-2.16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>United States</b>	0.2%	-2.16	-0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

<sup>/a</sup> P is: Change in reserves to GDP \* Capital Controls.

**Breakdown of 2014 Policy Gap Contribution: Private Credit / GDP (after removing country mean)**

Country	Private Credit to GDP (rel. to TRD PRT)							
	Overall Contributions	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners) (4)
<b>Australia</b>	-0.5%	0.12	-3.8%	0.0%	51.2%	51.2%	30.2%	26.3%
<b>Belgium</b>	-0.5%	0.12	-4.6%	-1.8%	25.0%	26.8%	28.1%	25.3%
<b>Brazil</b>	-0.4%	0.12	-3.3%	0.0%	26.7%	26.7%	29.2%	25.9%
<b>Canada</b>	-0.4%	0.12	-3.4%	0.0%	32.9%	32.9%	29.9%	26.5%
<b>China</b>	2.6%	0.12	21.8%	22.6%	43.1%	20.5%	21.8%	20.9%
<b>France</b>	-0.5%	0.12	-4.2%	-0.4%	24.1%	24.6%	30.1%	26.4%
<b>Germany</b>	-0.4%	0.12	-3.5%	0.0%	-2.2%	-2.2%	34.0%	30.5%
<b>India</b>	0.0%	0.12	-0.2%	3.9%	18.9%	15.0%	28.9%	24.8%
<b>Indonesia</b>	-0.5%	0.12	-4.2%	0.1%	3.1%	2.9%	27.0%	22.7%
<b>Italy</b>	-0.4%	0.12	-3.3%	0.0%	44.8%	44.8%	27.3%	24.0%
<b>Japan</b>	-0.8%	0.12	-6.8%	0.0%	-3.5%	-3.5%	31.9%	25.1%
<b>Korea</b>	-1.9%	0.12	-15.8%	-8.7%	23.1%	31.8%	26.5%	19.4%
<b>Malaysia</b>	-0.3%	0.12	-2.5%	2.5%	11.5%	9.0%	27.5%	22.5%
<b>Mexico</b>	-0.4%	0.12	-3.2%	0.0%	10.1%	10.1%	30.1%	26.9%
<b>Netherlands</b>	-2.0%	0.12	-16.7%	-13.4%	79.4%	92.7%	25.8%	22.5%
<b>Poland</b>	1.3%	0.12	11.4%	13.4%	27.4%	14.0%	24.9%	22.8%
<b>Russia</b>	0.1%	0.12	1.1%	4.7%	30.3%	25.7%	27.8%	24.2%
<b>South Africa</b>	-0.4%	0.12	-3.3%	0.0%	33.2%	33.2%	27.7%	24.4%
<b>Spain</b>	2.5%	0.12	20.9%	22.7%	61.7%	39.0%	28.7%	27.0%
<b>Sweden</b>	0.4%	0.12	3.3%	6.5%	31.1%	24.5%	29.3%	26.1%
<b>Switzerland</b>	0.7%	0.12	5.8%	8.2%	26.2%	18.0%	25.4%	23.0%
<b>Thailand</b>	1.8%	0.12	15.6%	19.5%	45.5%	26.0%	23.7%	19.8%
<b>Turkey</b>	-0.4%	0.12	-3.2%	0.0%	41.9%	41.9%	29.6%	26.4%
<b>United Kingdom</b>	-0.4%	0.12	-3.0%	0.0%	31.6%	31.6%	30.7%	27.7%
<b>United States</b>	-0.1%	0.12	-1.1%	2.6%	31.9%	29.2%	25.6%	21.9%

## Breakdown of 2014 Policy Gap Contribution: Real Short Term Interest Rates

Country	Real Short Term Interest Rate interacted with Capital Openness (rel to TRD PRT)								Components			
	Overall Contribution	Coef.	Pol. Gap (1)-(3) - {(2)-(4)}	P - P* (1) - (2)	P (1)	P* (2)	P (Trading partners) (3)	P* (Trading partners)	Real Interest Rate	(Real Interest Rate)*	Capital Controls	(Capital Controls)*
<b>Australia</b>	-0.1%	0.94	-0.1%	0.0%	-0.2%	-0.2%	-0.4%	-0.4%	-0.2%	-0.2%	0.0%	0.0%
<b>Belgium</b>	1.0%	0.94	1.1%	1.6%	-0.4%	-2.1%	-0.5%	-1.1%	-0.4%	-2.1%	0.0%	0.0%
<b>Brazil</b>	-0.6%	0.94	-0.6%	-0.4%	3.2%	3.7%	-0.4%	-0.6%	4.3%	4.3%	25.0%	15.3%
<b>Canada</b>	0.0%	0.94	0.0%	0.0%	-1.0%	-1.0%	-0.9%	-0.9%	-1.0%	-1.0%	0.0%	0.0%
<b>China</b>	-0.7%	0.94	-0.7%	-0.5%	0.4%	0.8%	-0.4%	-0.6%	0.7%	1.0%	50.0%	15.3%
<b>France</b>	1.0%	0.94	1.0%	1.6%	-0.5%	-2.2%	-0.5%	-1.1%	-0.5%	-2.2%	0.0%	0.0%
<b>Germany</b>	1.2%	0.94	1.3%	1.6%	-0.7%	-2.3%	-0.4%	-0.8%	-0.7%	-2.3%	0.0%	0.0%
<b>India</b>	-2.0%	0.94	-2.2%	-1.8%	-0.2%	1.7%	-0.2%	-0.6%	-0.3%	2.0%	50.0%	15.3%
<b>Indonesia</b>	-1.1%	0.94	-1.2%	-1.1%	0.5%	1.6%	-0.4%	-0.4%	0.8%	1.9%	37.5%	15.3%
<b>Italy</b>	1.0%	0.94	1.1%	1.6%	-0.1%	-1.8%	-0.5%	-1.0%	-0.1%	-1.8%	0.0%	0.0%
<b>Japan</b>	-1.5%	0.94	-1.6%	-1.5%	-2.4%	-0.9%	-0.3%	-0.3%	-2.4%	-0.9%	0.0%	0.0%
<b>Korea</b>	0.2%	0.94	0.2%	0.0%	0.7%	0.7%	-0.6%	-0.4%	0.8%	0.8%	12.5%	12.5%
<b>Malaysia</b>	-0.3%	0.94	-0.3%	-0.3%	0.5%	0.8%	-0.4%	-0.4%	0.9%	1.0%	37.5%	15.3%
<b>Mexico</b>	-0.3%	0.94	-0.4%	-0.1%	0.4%	0.5%	-0.6%	-0.8%	0.6%	0.6%	37.5%	15.3%
<b>Netherlands</b>	-2.4%	0.94	-2.5%	-1.8%	-2.9%	-1.0%	-0.4%	-1.1%	-2.9%	-1.0%	0.0%	0.0%
<b>Poland</b>	-0.5%	0.94	-0.6%	0.1%	1.7%	1.6%	-0.3%	-1.0%	2.2%	1.9%	25.0%	15.3%
<b>Russia</b>	-2.2%	0.94	-2.3%	-2.0%	0.2%	2.2%	-0.3%	-0.6%	0.2%	2.5%	12.5%	12.5%
<b>South Africa</b>	-0.2%	0.94	-0.2%	0.0%	-0.3%	-0.4%	-0.4%	-0.6%	-0.4%	-0.4%	25.0%	15.3%
<b>Spain</b>	0.9%	0.94	1.0%	1.6%	0.3%	-1.4%	-0.5%	-1.1%	0.3%	-1.4%	0.0%	0.0%
<b>Sweden</b>	-0.4%	0.94	-0.4%	0.1%	0.6%	0.5%	-0.6%	-1.1%	0.6%	0.5%	0.0%	0.0%
<b>Switzerland</b>	2.2%	0.94	2.3%	2.9%	-0.1%	-3.0%	-0.6%	-1.2%	-0.1%	-3.0%	0.0%	0.0%
<b>Thailand</b>	0.2%	0.94	0.2%	0.0%	-0.3%	-0.3%	-0.5%	-0.4%	-0.4%	-0.4%	25.0%	15.3%
<b>Turkey</b>	-1.4%	0.94	-1.5%	-1.0%	1.1%	2.1%	-0.3%	-0.8%	1.5%	2.5%	25.0%	15.3%
<b>United Kingdom</b>	-0.5%	0.94	-0.5%	0.0%	-1.0%	-1.0%	-0.5%	-1.1%	-1.0%	-1.0%	0.0%	0.0%
<b>United States</b>	0.0%	0.94	0.0%	0.0%	-1.4%	-1.4%	-0.4%	-0.4%	-1.4%	-1.4%	0.0%	0.0%

(1) P = domestic interest rate x domestic capital account openness

(2) P\* = domestic interest rate\* x domestic capital account openness\*

(3) P (trading partners) = (trading partner interest rate x trading partner capital account openness) x domestic capital account openness

(4) P\* (trading partners) = (trading partner interest rate\* x trading partner capital account openness\*) x domestic capital account openness\*

The real interest rate accounts for the estimated effect of Q.E. for Japan, U.S. and U.K.

**EBA Analysis of 2014 Level REER: Coefficients**

**VARIABLES**

Change in reserves to GDP * cap controls (rel to TRD PRT)	-2.16*
	(0.08)
Lag of health expenditure to GDP (rel to TRD PRT)	1.79**
	(0.04)
Private credit/GDP (rel to TRD PRT)	0.12***
	(0.01)
Lag Demeaned PPPGDP/Top3(PPP)]	0.16***
	(0.00)
Lag of VIX * capital account openness	-0.33**
	(0.02)
Lag of VIX * capital account openness *share of own currency in global reserve	0.98
	(0.12)
Share of the country's currency held as FX reserve by central banks worldwide	-0.33***
	(0.00)
Lag of Trade Openness (avg. of exports and imports to GDP) (rel to TRD PRT)	-0.31***
	(0.00)
Expected GDP growth of medium-term(5 years out), WEO project (rel to TRD PRT)	1.83**
	(0.05)
Population Growth (rel to TRD PRT)	5.59**
	(0.02)
Aging Speed (rel to TRD PRT)	0.68***
	(0.01)
Dependency Ratio (rel to TRD PRT)	0.89***
	(0.00)
ICRG political risk variable (rel to TRD PRT)	0.44***
	(0.00)
NFA/GDP	0.11***
	(0.00)
Lag Capital stock per employed person at current PPPs (2005US\$) (rel to TRD PRT)	0.08***
	(0.00)
Lag Ratio Traded/Non Traded relative to trd part (in logs)	0.23***
	(0.00)
VAT Revenue, % of GDP (rel to TRD PRT)	1.21**
	(0.03)
Log Commodity ToT (43) levels in 2011 vs trading partner	0.06***
	(0.00)
Real interest rate differential demeaned interacted with K openness (rel to TRD	0.94**
	(0.02)
Share of administered prices in CPI	-2.62***
	(0.00)
Constant	0.19***
	(0.00)
Observations	838
R-squared	0.91
RMSE	0.1409
Number of Countries	39

Robust pval in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

#### **Section IV — External Sustainability Analysis**

The table on the following page details results from the application of the External Sustainability (ES) approach, as originally developed for the CGER methodology. As discussed in Annex 1 of the 2015 External Sector Report, the ES exercise is used to informal external assessments only in cases where stabilizing an economy's net external position is a dominant concern.

The ES approach calculates the CA/GDP adjustment consistent with stabilizing NFA/GDP at a benchmark level (second column). For the majority of countries analyzed, the NFA/GDP benchmark is set at the recent (2013) actual level (first column). For a select group of economies with extremely high net external liabilities, low net external liabilities, or that are exporters of non-renewable resources, the benchmark is modified on the basis of regional averages or other criteria.

The ES method first calculates the CA/GDP level that would stabilize the NFA/GDP at the particular benchmark level shown (analysis of other benchmarks might also be of interest). The second step compares the WEO-projected (2019) CA/GDP (assuming real exchange rates that are constant at their early 2015 levels, current policies, including those due to take effect between 2015 and 2020, and adjusted for closed output gaps) with the NFA benchmark stabilizing CA/GDP.

The highlighted column gives the CA gap according to the ES method; that is, the difference between the adjusted CA projected for 2020 and the CA that would stabilize the NFA/GDP ratio at the benchmark level.

Recall that the ES gap is not directly comparable to the gaps calculated in the CA and REER regression-based approaches; the ES method aims at the question of sustainability rather than whether current account balances are otherwise appropriate or are influenced by policy distortions.

## External Sustainability Approach: NFA-stabilizing Current Accounts 1/ 2/

	2013 NFA/GDP	Benchmark NFA/GDP	Unadjusted medium-term CA/GDP 2/	Adjusted medium-term CA/GDP	CA/GDP Stabilizing NFA at Benchmark	CA/GDP Gap
	(A)	(B)	(C)	(D)	(E)	(D) - (E)
<b>Australia</b>	-54.1%	-54.1%	-3.3%	-3.1%	-2.6%	-0.6%
<b>Belgium</b>	39.7%	39.7%	2.2%	-0.9%	0.4%	-1.3%
<b>Brazil</b>	-34.1%	-34.1%	-3.2%	-5.1%	-1.2%	-4.0%
<b>Canada</b>	1.2%	1.2%	-2.1%	-2.1%	-0.6%	-1.5%
<b>China</b>	17.6%	17.6%	3.1%	3.2%	0.3%	2.9%
<b>Euro Area</b>	-15.1%	-6.9%	2.6%	3.1%	0.6%	2.6%
<b>France</b>	-19.8%	-19.8%	-0.2%	-1.0%	-0.5%	-0.5%
<b>Germany</b>	39.5%	39.5%	7.1%	5.2%	1.3%	3.9%
<b>India</b>	-27.1%	-27.1%	-2.2%	-2.2%	-2.1%	-0.1%
<b>Indonesia</b>	-47.6%	-47.6%	-2.6%	-2.6%	-3.5%	0.9%
<b>Italy</b>	-33.3%	-33.3%	1.2%	0.4%	-1.4%	1.8%
<b>Japan</b>	67.0%	67.0%	2.2%	2.2%	2.1%	0.1%
<b>Korea</b>	-2.8%	-2.8%	4.1%	4.2%	0.5%	3.7%
<b>Malaysia</b>	-5.2%	-5.2%	1.2%	1.2%	0.0%	1.2%
<b>Mexico</b>	-37.8%	-37.8%	-2.4%	-2.4%	-1.9%	-0.5%
<b>Netherlands</b>	39.9%	39.9%	9.5%	6.2%	0.7%	5.5%
<b>Poland</b>	-68.9%	-68.9%	-1.8%	-1.6%	-3.8%	2.2%
<b>Russia</b>	4.6%	4.6%	4.8%	4.9%	2.8%	2.0%
<b>South Africa</b>	-6.1%	-35.1%	-4.4%	-3.9%	-1.8%	-2.1%
<b>Spain</b>	-96.8%	-48.4%	1.3%	0.1%	0.4%	-0.3%
<b>Sweden</b>	-6.2%	24.0%	5.7%	5.6%	1.2%	4.4%
<b>Switzerland</b>	131.7%	131.7%	5.3%	5.5%	7.5%	-2.0%
<b>Thailand</b>	-20.4%	-20.4%	0.9%	1.0%	-0.6%	1.6%
<b>Turkey</b>	-55.7%	-55.7%	-5.1%	-5.0%	-2.9%	-2.0%
<b>United Kingdom</b>	-2.7%	-2.7%	-3.4%	-3.3%	0.0%	-3.2%
<b>United States</b>	-34.0%	-34.0%	-2.6%	-2.6%	-1.5%	-1.2%

1/ Based on the CGER "ES" methodology ; CA includes capital account in addition to current account.

2/ Based on WEO database as of June 2<sup>nd</sup> 2015.